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GOVERNMENT AND ADMINISTRATION

General Election Result

The Conservative Party gained a majority of 102 seats over all other parties in the new House of Commons elected on 11 June.

The table below shows the number of seats obtained by each party.

Conservative (including the Speaker)	376
Labour	229
Liberal	17
Social Democratic	5
Scottish National	3
Plaid Cymru (Welsh Nationalist)	3
Ulster Unionist (Northern Ireland)	9
Democratic Unionist (Northern Ireland)	3
Ulster Popular Unionist (Northern Ireland)	1
Social Democratic and Labour (Northern Ireland)	3
Sinn Fein (Northern Ireland)	1
TOTAL	650

The total number of voters entitled to vote in the election was 43·6 million, and 75·4 per cent of the electorate cast their votes, compared with 72·7 per cent in June 1983. The percentages of votes cast for the four main parties were as follows:

Conservative	42·3
Labour	30·8
Liberal-Social Democratic Alliance	22·6
Others	4·3

All 650 seats were contested and there were 2,327 candidates compared with 2,578 candidates in June 1983. The Conservative and Labour Parties and the Liberal-Social Democratic Alliance all had 633 candidates, contesting all 633 seats in England, Scotland and Wales. The Scottish National Party contested 71 of the 72 seats in Scotland and Plaid Cymru contested all 38 seats in Wales. The Green Party contested 135 seats, the Communist Party 19 seats, and there was a large number of independent candidates.

In Northern Ireland the Ulster Unionist Party contested 11 of the 17 seats, the Democratic Unionist Party 4, the Social Democratic and Labour Party 13, Sinn Fein 14, and the Alliance Party 16 seats.

The distribution of votes among the main parties was as follows:

Conservative (including the Speaker)	13,787,322
Labour	10,033,633
Liberal-Social Democratic Alliance	7,339,912
Scottish National	416,873
Plaid Cymru	123,589
Others	834,923
TOTAL	32,536,252

Four black and Asian MPs and 41 women MPs were elected.

The figures in this article are taken from *The Times* and *The Guardian*.

Ministerial Changes

Following the return to office of the Conservative Government in the general election, 11 new Cabinet appointments have been announced by the Prime Minister, Mrs Margaret Thatcher. The number of Cabinet ministers, including the Prime Minister, is now 21.

The full list of new Cabinet appointments, with previous ministerial posts in brackets, is as follows:

Lord Chancellor
Rt Hon Sir Michael Havers, QC (former Attorney General)

Secretary of State for Wales
Rt Hon Peter Walker, MBE, MP (former Secretary of State for Energy)

Secretary of State for Employment
Rt Hon Norman Fowler, MP (former Secretary of State for Social Services)

Secretary of State for Trade and Industry
Rt Hon The Lord Young of Graffham (former Secretary of State for Employment)

Chancellor of the Duchy of Lancaster
Rt Hon Kenneth Clarke, QC, MP (former Paymaster General and Minister for Employment)

Minister of Agriculture, Fisheries and Food
Rt Hon John MacGregor, OBE, MP (former Chief Secretary to the Treasury)

Secretary of State for Transport
Rt Hon Paul Channon, MP (former Secretary of State for Trade and Industry)

Secretary of State for Social Services
Rt Hon John Moore, MP (former Secretary of State for Transport)

Lord Privy Seal and Leader of the House of Commons
Rt Hon John Wakeham, MP (former Parliamentary Secretary to the Treasury – Government Chief Whip)

Secretary of State for Energy
Rt Hon Cecil Parkinson, MP

Chief Secretary to the Treasury
Rt Hon John Major, MP (former Minister of State, Department of Health and Social Security)

Lord Young and Mr Clarke will retain their responsibility for the Government's special inner city initiative and for the task forces set up to carry this forward.

A life peerage is to be conferred on Sir Michael Havers.

Mr John Major has been appointed to the Privy Council.

Further ministerial appointments will be announced shortly.

The following Cabinet ministers have tendered their resignations; their former posts are given in parentheses:

Rt Hon The Lord Hailsham of Saint Marylebone, CH, FRS, DCL
(Lord Chancellor)

Rt Hon John Biffen, MP
(Lord Privy Seal and Leader of the House of Commons)

Rt Hon Norman Tebbit, MP
(Chancellor of the Duchy of Lancaster)

Rt Hon Michael Jopling, MP
(Minister of Agriculture, Fisheries and Food)

Rt Hon Nicholas Edwards
(Secretary of State for Wales)

Mr Edwards did not stand for Parliament at the general election.

The Cabinet

Following the new appointments, the composition of the Cabinet is as follows:

Prime Minister, First Lord of the Treasury and Minister for the Civil Service
Rt Hon Margaret Thatcher, FRS, MP

Lord President of the Council and Leader of the House of Lords
Rt Hon The Viscount Whitelaw, CH, MC

Secretary of State for Foreign and Commonwealth Affairs and Minister of Overseas Development
Rt Hon Sir Geoffrey Howe, QC, MP

Chancellor of the Exchequer
Rt Hon Nigel Lawson, MP

Lord Chancellor
Rt Hon Sir Michael Havers, QC

Secretary of State for the Home Department
Rt Hon Douglas Hurd, CBE, MP

Secretary of State for Wales
Rt Hon Peter Walker, MBE, MP

Secretary of State for Defence
Rt Hon George Younger, TD, MP

Secretary of State for Employment
Rt Hon Norman Fowler, MP

Secretary of State for Northern Ireland
Rt Hon Tom King, MP

Secretary of State for the Environment
Rt Hon Nicholas Ridley, MP

Secretary of State for Trade and Industry
Rt Hon The Lord Young of Graffham

Secretary of State for Education and Science
Rt Hon Kenneth Baker, MP

Chancellor of the Duchy of Lancaster
Rt Hon Kenneth Clarke, QC, MP

Minister of Agriculture, Fisheries and Food
Rt Hon John MacGregor, OBE, MP

Secretary of State for Scotland
Rt Hon Malcolm Rifkind, QC, MP

Secretary of State for Transport
Rt Hon Paul Channon, MP

Secretary of State for Social Services
Rt Hon John Moore, MP

Lord Privy Seal and Leader of the House of Commons
Rt Hon John Wakeham, MP

Secretary of State for Energy
Rt Hon Cecil Parkinson, MP

Chief Secretary to the Treasury
Rt Hon John Major, MP

Recent Legislation

The public Acts of Parliament passed between the end of April and the dissolution of Parliament on 18 May are listed below. Twelve Acts were introduced by private members and are indicated by an asterisk.

Abolition of Domestic Rates Etc. (Scotland) Act 1987 (see p 97). Royal Assent: 15.5.87. Ch 47, ISBN 0 10 544787 0, HMSO, £5·30.

**Access to Personal Files Act 1987*. Provides access for individuals to information relating to themselves maintained by certain authorities and institutions. Royal Assent: 15.5.87. Ch 37, ISBN 0 10 543787 5, HMSO, £1·30.

**Agricultural Training Board Act 1987*. Modifies the constraint that requires the Board to offer training only to those involved in agriculture and enables it to give training in non-agricultural skills with a view to encouraging diversification on farms. Royal Assent: 15.5.87. Ch 29, ISBN 0 10 542987 2, HMSO, 45p.

**Aids (Control) Act 1987*. Lays a statutory duty on district health authorities in England and Wales and on health boards in Scotland to produce annual reports on AIDS in their areas. Royal Assent: 15.5.87. Ch 33, ISBN 0 10 543387 X, HMSO, 45p.

Appropriation Act 1987. Prescribes how expenditure is appropriated in order to finance specific public services. Royal Assent: 15.5.87. Ch 17, ISBN 0 10 541787 4, HMSO. £4·80.

Banking Act 1987 (see pp 388-90, 1986, and p 105). Royal Assent: 15.5.87. Ch 22, ISBN 0 10 542287 8. HMSO, £7·70.

**Billiards (Abolition of Restrictions) Act 1987*. In England and Wales, abolishes the licensing on the playing of billiards, bagatelle and similar games in publicly owned halls. Royal Assent: 15.5.87. Ch 19, ISBN 0 10 541987 7, HMSO, 45p.

Chevening Estate Act 1987. Simplifies the arrangements for managing the Chevening Estate (for which the Prime Minister has power to nominate a member of the Cabinet or the Royal Family as occupant) and varies the arrangements for the occupation of the estate. Royal Assent: 15.5.87. Ch 20, ISBN 0 10 542087 5, HMSO, £2·20.

Consumer Protection Act 1987 (see pp 162-3). Royal Assent: 15.5.87. Ch 43, ISBN 0 10 544387 5, HMSO, £5·30.

Criminal Justice Act 1987 (see p 190). Royal Assent: 15.5.87. Ch 38, ISBN 0 10 543887 1, HMSO, £3·30.

Criminal Justice (Scotland) Act 1987. Provides for the recovery of proceeds from drug trafficking. Royal Assent: 15.5.87. Ch 41, ISBN 0 10 544187 2, HMSO, £6·80.

**Crossbows Act 1987.* Creates an offence regarding the sale to and the purchase and possession of crossbows by people under the age of 17. Royal Assent: 15.5.87. Ch 32, ISBN 0 10 543287 3, HMSO, 45p.

**Crown Proceedings (Armed Forces) Act 1987.* Deals with the question of compensation for members of the armed forces who suffer death or injury in the course of their duties. Royal Assent: 15.5.87. Ch 25, ISBN 0 10 542587 7, HMSO, 85p.

Debtors (Scotland) Act 1987. Reforms and modernises the law on debt enforcement in Scotland. Royal Assent 15.5.87. Ch 18, ISBN 0 10 541887 0, HMSO, £8·50.

**Deer Act 1987.* Makes it lawful for deer kept on deer farms in England and Wales to be killed during a close season. Royal Assent: 15.5.87. Ch 28, ISBN 0 10 542887 6, HMSO, 45p.

Diplomatic and Consular Premises Act 1987. Concerns land made available to diplomatic and consular premises and gives the force of law in Britain to certain provisions of the Vienna Convention on diplomatic and consular relations. Royal Assent: 15.5.87. Ch 46, ISBN 0 10 544687 4, HMSO, £2·60.

Family Law Reform Act 1987. Among other things, removes any remaining discrimination against children born out of wedlock. Royal Assent: 15.5.87. Ch 42, ISBN 0 10 544287 9, HMSO, £5·30.

Finance Act 1987 (see p 214). Royal Assent: 15.5.87. Ch 16, ISBN 0 10 541687 8, HMSO, £8·60.

Fire Safety and Safety of Places of Sport Act 1987. Makes improvements in existing fire safety legislation and legislation covering safety of spectators at sports events. Royal Assent: 15.5.87. Ch 27, ISBN 0 10 542787 X. HMSO, £4·80.

Housing (Scotland) Act 1987. Consolidates, with amendments to give effect to recommendations of the Scottish Law Commission, certain enactments relating to housing in Scotland. Royal Assent: 15.5.87. Ch 26 (publication details not available at time of going to press).

Immigration (Carriers' Liability) Act 1987 (see pp 120-1). Royal Assent: 15.5.87. Ch 24, ISBN 0 10 542487 0, HMSO, 45p.

Irish Sailors and Soldiers Land Trust Act 1987. Allows for the disposal of surplus funds held by the Irish Sailors and Soldiers Land Trust and for the eventual winding up of the Trust. Royal Assent: 15.5.87. Ch 48, ISBN 0 10 544887 7, HMSO, 85p.

Landlord and Tenant Act 1987 (see pp 145-6). Royal Assent: 15.5.87. Ch 31, ISBN 0 10 543187 7, HMSO, £6·20.

Local Government Act 1987 (see pp 96-7). Royal Assent: 15.5.87. Ch 44, ISBN 0 10 544487 1, HMSO, £1·60.

**Motor Cycle Noise Act 1987.* Prohibits the supply of replacement motor cycle exhaust systems and silencers likely to result in the emission of excessive noise. Royal Assent: 15.5.87. Ch 34, ISBN 0 10 543487 6, HMSO, 85p.

Northern Ireland (Emergency Provisions) Act 1987 (see p 4). Royal Assent: 15.5.87. Ch 30, ISBN 0 10 543087 0, HMSO, £3·60.

Parliamentary and Health Service Commissioners Act 1987. Extends the powers of the Parliamentary Commissioner for Administration to enable him to investigate the activities of non-departmental public bodies, as well as those of government departments; and introduces a number of changes to improve the effectiveness of existing legislation. Royal Assent: 15.5.87. Ch 39, ISBN 0 10 543987 8, HMSO, £2·60.

Parliamentary and Other Pensions Act 1987. Enables the parliamentary pensions scheme to be contained in regulations rather than in primary legislation. Royal Assent: 15.5.87. Ch 45, ISBN 0 10 544587 8, HMSO, £2·60.

Pilotage Act 1987. Provides for the transfer of the responsibility for pilotage to harbour authorities, as announced by the Government in 1986 (see p 128, 1986). Royal Assent: 15.5.87. Ch 21, ISBN 0 10 542187 1, HMSO, £3·80.

**Prescription (Scotland) Act 1987.* Restores technical provisions repealed in legislation enacted in 1985 and 1986 affecting time limits for creditors submitting claims in cases of company liquidation in Scotland. Royal Assent: 15.5.87. Ch 36, ISBN 0 10 543687 9, HMSO, 45p.

**Protection of Animals (Penalties) Act 1987.* Amends 1911 legislation to increase penalties for offences against animals. Royal Assent: 15.5.87. Ch 35, ISBN 0 10 543587 2, HMSO, 45p.

**Register of Sasines (Scotland) Act 1987.* Allows methods of registration of sasines to be improved and access to the register to be facilitated, in the light of modern technology, thus aiding house buyers in Scotland. Royal Assent: 15.5.87. Ch 23, ISBN 0 10 542387 4, HMSO, 45p.

**Registered Establishments (Scotland) Act 1987.* Gives local authorities power to charge fees for the work they do in registering independent residential care establishments for adults; and increases the powers available to local authorities to exercise a measure of control over establishments once they are registered. Royal Assent: 15.5.87. Ch 40, ISBN 0 10 544087 6, HMSO, £2·20.

Territorial Sea Act 1987. Extends the breadth of the territorial sea from three to 12 miles, with provisions adapting existing legislation referring to the three-mile limit. Royal Assent: 15.5.87. Ch 49, ISBN 0 10 544987 3, HMSO, £1·60.

Uncompleted Legislation

The effect of dissolution is immediately to terminate all business (with minor exceptions) until Parliament is again assembled. This means that any uncompleted Bills must be reintroduced in the first session of the new Parliament, unless it is decided to abandon them. The following Public Bills had received a second reading by 18 May. Bills which were introduced by private members are indicated by an asterisk.

Channel Tunnel (see pp 235-6, 1986)

*Companies (Audit Committees)

*Human Rights

*Licensing (Amendment)

*Local Government Act 1986 (Amendment)

*Obscene Publications

Shorter Note

CRIMINAL JUSTICE ACT 1987

The Criminal Justice Act 1987 received the Royal Assent on 15 May. Following the announcement that a general election would take place on 11 June (see p 187), a number of proposals were dropped from the original Bill (see pp 379-82, 1986).

The main deletions concerned measures regarding the power to order the confiscation of the proceeds from highly profitable crime, compensation for the victims of crime, extradition procedures and other changes in the criminal law. The Act as passed sets up a Serious Fraud Office to investigate and prosecute the most serious and complex cases of fraud, and makes changes in court procedures concerning such cases.

Source: Home Office.

EXTERNAL AFFAIRS AND DEFENCE

Britain's Defence Policy

Britain's commitment to its nuclear and conventional contribution to the North Atlantic Treaty Organisation (NATO) was reaffirmed in the 1987 defence White Paper, published in May.

DEFENCE SECRETARY'S STATEMENT

Introducing the White Paper[1] at a press conference in London on 6 May, the Secretary of State for Defence, Mr George Younger, emphasised that the progress made in arms control negotiations with the Soviet Union had only been made possible by the strength and cohesion of the NATO Alliance. 'The message of this White Paper', he said, 'is . . . that we should stay faithful to policies that have proved their worth by keeping the peace in Europe for two generations; and that are beginning to open up the prospect of greater security at lower levels of armaments. . . . That means staying faithful to NATO's dual approach of maintaining deterrence, while seeking political dialogue and greater understanding between East and West.' For Britain it meant maintaining its conventional and nuclear contribution to NATO.

The defence budget for 1987-88 (at nearly £19,000 million) represented, Mr Younger continued, an increase of over 20 per cent in real terms since 1978-79. Apart from the Trident programme, which was continuing on course, 95 per cent of this increase was going on improvements in conventional defence, including orders for 55 major warships, 75 combat aircraft for the Royal Navy, nearly 510 aircraft for the Royal Air Force (RAF), equipment for seven Challenger tank regiments and 23 battalions of armoured personnel carriers, as well as major enhancements in artillery, air defence and infantry weapons and equipment. In the near future improvements for the Navy would include frigates and submarines, missile air-defence systems, underwater weapon systems and sonars; for the Army, a twelfth armoured regiment equipped with Challengers; and, for the RAF, the Tornado and Harrier GR5 programmes, the modernisation of the tanker fleet, and the acquisition of airborne warning aircraft from the United States (see pp 21-2).

THE DEFENCE WHITE PAPER

Maintaining Security

Maintaining security, the White Paper points out, is ultimately a political and diplomatic as much as a military problem, and that is why NATO has always sought political dialogue and greater understanding alongside deterrence and defence. The Government welcomed the steps taken by the US President, Mr Ronald Reagan, and the Soviet leader, Mr Mikhail Gorbachev, to build a relationship of greater understanding between East and West, but it also recognised the fact that Soviet history and Marxist-Leninist ideology had caused the Soviet Union to adopt a very different approach to international relations from that taken in the West. Although there was nothing to suggest that Soviet leaders had any desire for war in Europe because of the high risk of military failure, they sought by other means constantly to weaken NATO and to expand Soviet influence in Western Europe, activities backed up by an enormous and expanding military might financed by a defence expenditure that had grown by about 50 per cent between 1970 and 1985.

The Military Balance in Europe

Conventional Forces

The White Paper says that there is a preponderance of military forces in favour of the Warsaw Pact in Europe. On the central front the Warsaw Pact has 960,000 soldiers, 16,700 battle tanks, 11,600 anti-tank guided weapons, 9,200 artillery and 2,650 fixed-wing tactical aircraft: in contrast, NATO (including French forces in the Federal Republic of Germany[1]) has 790,000 soldiers, 7,800 battle tanks, 7,100 anti-tank guided weapons, 3,000 artillery and 1,250 fixed-wing tactical aircraft. In the whole of Europe from the Atlantic to the Urals there are 4·1 million Warsaw Pact soldiers (against NATO's 3 million), 50,900 tanks (NATO's 16,800), 36,200 artillery (NATO's 10,600) and 7,700 aircraft (NATO's 4,300). Moreover, any potential aggressor can select the time and place of attack, and exploit that advantage by massing forces to achieve overwhelming local superiority in numbers, while a defender like NATO, committed not to be the first to use force, could only seek to respond before its defence was irretrievably disrupted. The Warsaw Pact also enjoys geographical advantages since it can move supplies to the front more easily than NATO.

In European waters, although NATO has more naval surface ships than the Warsaw Pact, NATO forces are outnumbered in offensive systems (particularly submarines and bombers) in the Eastern Atlantic where the threat is greatest to NATO's reinforcement and supply lines needed for the defence of Europe.

Nuclear Balance

The Soviet Union has more strategic delivery systems than the United States, although when aircraft-delivery weapons are included the latter probably has the

[1] *Statement on the Defence Estimates 1987*. Vol 1. Cm 101-I. HMSO, £5. ISBN 0 10 101012 5. Vol 2 (Defence Statistics). Cm 101-II. HMSO, £5·50. ISBN 0 10 101013 3.

[1] France does not participate in NATO's military structure.

advantage, with some 11,500 warheads compared with the Soviet Union's 10,500. The White Paper points out, however, that it is difficult to estimate the number of warheads deployed with any accuracy, and any interpretation of the balance is further complicated by the asymmetry between the two sides' forces. The Soviet Union could successfully attack the United States' land-based missiles with its more powerful ICBMs, but the United States could retaliate with its less accurate but virtually invulnerable submarine-launched strategic missiles. The reckoning of the balance also had to take account of the Soviet Union's extensive strategic defences, including its anti-ballistic missile system around Moscow which has been upgraded.

In the balance of longer-range intermediate nuclear forces (INF) systems in Europe,[1] the Soviet Union has 922 missile warheads (including 810 warheads in 270 SS20 missiles) and 330 aircraft (Badger, Blinder and Backfire) as against NATO's 316 missiles (cruise and Pershing II missiles) and 144 F-111 aircraft. This substantial Soviet superiority over NATO is more marked in the shorter-range INF systems (for example, 665 missile launchers as opposed to 72) and in short-range nuclear forces (for example, 750 missile launchers as opposed to 90).

The Soviet Union and United States continue to modernise their strategic forces, the White Paper says. By the end of 1986, the Soviet Union had deployed 81 of its mobile intercontinental ballistic missiles (ICBM), the SS25, and another ICBM, the SS-X-24, is in an advanced stage of development. The Soviet submarine nuclear force is being improved with more Typhoon- and Delta-class submarines carrying SS-N-20 and SS-N-23 ballistic missiles, and two submarine-launched land-attack cruise missiles (SS-NX-21 and SS-NX-24) are being developed. Numbers of Soviet air-launched cruise missiles for a variant of the Bear bomber entering service are increasing, while the Blackjack strategic aircraft is being developed.

As part of its modernisation of its strategic nuclear force, the United States has begun to deploy the B1 bomber and the new ten-warhead MX ICBM, while design work on a single-warhead mobile ICBM is in progress. The effectiveness of the B52 bomber force is being enhanced to carry air-launched cruise missiles while an advanced-technology bomber and air-launched cruise missile are also being developed. The capability of the US submarine nuclear force is being improved with the eighth Trident submarine with C4 missiles, now on sea trials, and the introduction into service by the end of the decade of the D5 Trident submarine. Sea-launched cruise missiles are also being deployed on a variety of ships and submarines.

Arms Control

The search for balanced and verifiable arms control agreements providing for security at lower levels of weapons is a central element of Britain's security policy, and in its survey of recent arms control negotiations the White Paper says that there have been major advances in a number of areas, especially at the October 1986 meeting in Reykjavik between the leaders of the United States and the Soviet Union (see pp 345-7, 1986).

Nuclear Arms Control

With the support of Britain and the other NATO allies in its aim of seeking deep cuts in US and Soviet strategic nuclear arsenals, the United States tabled in November 1985 proposals for 50 per cent reductions in strategic nuclear weapons; these were not answered until June 1986, when the Soviet Union put forward counter-proposals for 30 per cent reductions in such weapons conditional on constraints on the United States' Strategic Defence Initiative (SDI)[1]; an extension of the period of notice of withdrawal from the 1972 Anti-Ballistic Missile (ABM) Treaty to 15 years; and constraints on US forces based in Europe. In July the United States responded by stating that, although it would prefer reductions of 50 per cent, lesser reductions could be accepted as an interim step, and in September it made further detailed proposals at the negotiations in Geneva.

Developments in the negotiations on long-range INF also took place in September 1986, when the Soviet Union indicated interest in an interim agreement that would leave 100 INF missile warheads on each side in Europe, a position which suggested some hope of further progress towards an agreement embodying the Alliance goals of equal global ceilings for US and Soviet systems. At the Reykjavik meeting in October, substantial progress was made on strategic nuclear forces, INF and other issues. In the strategic category, provisional agreement was reached on 50 per cent cuts leading to equal ceilings of 1,600 nuclear delivery systems and 6,000 warheads, with the Soviet Union also agreeing to cuts in its heavy intercontinental ballistic missiles. The Soviet Union tabled a proposal for the elimination of all strategic nuclear weapons within ten years and the United States responded with a proposal linking the elimination of all offensive ballistic missiles to a ten-year non-withdrawal period from the ABM Treaty. The two sides also moved closer together on an outline INF agreement involving reductions to zero of long-range INF missiles in Europe and deployment of 100 warheads on each side in Soviet Asia and in the continental United States. However, a major block to reductions in both strategic and INF systems was the Soviet Union's insistence on seeking severe constraints on the United States' SDI, while not acknowledging the scope of its own activities in this area. In February 1987, however, the Soviet Union finally accepted the United States' offer to negotiate a separate agreement on INF, a step which Britain welcomed (see pp 88-9).

One issue not resolved at Reykjavik, the White Paper explains, was the question of constraints on shorter-range INF (SRINF). NATO's position is that any INF agreement should include adequate constraints on Soviet SS22 and SS23 SRINF missiles, to be followed by negotiations to address the imbalance in shorter-range systems. However, the Soviet Union does not accept the West's right to match its shorter-range INF, but has merely indicated a willingness to freeze missiles with ranges in a band below 1,000 km and to discuss reductions below present numbers later.

[1]INF include all systems that fall between short-range and strategic and can be subdivided into longer-range and shorter-range INF, the former having a range of more than 1,000 km and the latter a range of between 150 km and 1,000 km. Short-range nuclear forces, sometimes called 'battlefield' weapons, include artillery and missiles with a range of less than 150 km.

[1]A research programme designed to determine whether, and if so how, advanced technologies could offer the possibility of defence against ballistic missiles (see pp 184-5, 1986).

NATO's position regarding arms control negotiations was reaffirmed at a meeting at Camp David in Washington in November 1986 between the Prime Minister, Mrs Margaret Thatcher, and the US President, when they agreed that the priority in the search for arms control agreements had to be given to an INF agreement with restraints on shorter-range systems; a 50 per cent cut in US and Soviet strategic offensive weapons; and a ban on chemical weapons. NATO strategy, they said, would continue to need effective nuclear deterrence based on a mix of systems, and reductions in nuclear weapons would increase the importance of eliminating conventional disparities. During her visit to the Soviet Union in March and April 1987, Mrs Thatcher agreed with Mr Gorbachev that priority should be given to an agreement on INF, with strict verification, constraints on shorter-range systems and immediate follow-on negotiations to deal more fully with shorter-range systems (see pp 124-7).

British and French Deterrents

Britain, notes the White Paper, has continued to resist Soviet efforts to involve the British and French national nuclear deterrents in the Geneva negotiations, and welcomes the Soviet Union's decision to withdraw this condition at Reykjavik. However, the British Government's conditions for involving the British deterrent in arms control negotiations remain unaltered: 'if US and Soviet strategic arsenals were to be very substantially reduced, and no significant change had occurred in Soviet defensive capabilities, Britain would review its position and consider how best to contribute to arms control in the light of the reduced threat'.

Nuclear Testing

Although its first priority is reductions in nuclear weapons, Britain is also committed to progress towards a comprehensive test ban at the Geneva Conference on Disarmament. Even though a comprehensive test ban is not a near-term prospect, Britain believes that more limited steps are possible and some welcome progress was made during the year when the two superpowers began a series of bilateral discussions on verification; in September 1986 Mr Reagan announced at the United Nations the proposals he had put to the Soviet Union. These were that the United States was ready to ratify and put into effect the 1974 and 1976 threshold nuclear testing treaties provided agreement was reached on improved verification techniques,[1] and that both sides should then go on to discuss a step-by-step programme of further limiting nuclear tests in association with the reduction of nuclear weapons. At Reykjavik the Soviet Union appeared to endorse the United States' proposal for a step-by-step approach, although moving back from this position subsequently. Britain hopes that the Soviet leaders will reconfirm their acceptance of the United States' phased approach and to agree to practical steps to follow it up.

Conventional Arms

Progress in nuclear disarmament, the White Paper continues, increases the importance of achieving matching progress in the area of conventional forces, where the balance is very much in favour of the Warsaw Pact countries, a fact ignored by them in June 1986 when proposing equal reductions by each alliance. In its Brussels Declaration in December 1986 (see p 17) NATO called for two sets of negotiations on conventional arms control covering the whole of Europe, the first building on the Confidence- and Security-Building Measures agreed in Stockholm in September 1986 (see pp 317-19, 1986) and the second focusing on the conventional forces of the two alliances. At the Vienna talks on mutual and balanced force reductions, Britain and its NATO allies continue to seek an agreement on reduced levels of forces in central Europe and their December 1985 proposal, tabled by Britain, was designed to offer a way forward by suggesting that agreement on the current size of either side's forces, a major stumbling block to progress, should be deferred while an initial reduction in US and Soviet forces was made. So far the Warsaw Pact has failed to respond seriously.

Chemical Weapons

Noting that the Warsaw Pact has the capability to conduct chemical warfare against NATO on a large scale and is producing and stockpiling a range of lethal agents and incapacitants, the White Paper says that Britain, which gave up its chemical warfare capacity in the late 1950s and was conducting research only on defensive and protective measures, places the highest priority on the negotiation of a verifiable and comprehensive worldwide ban on chemical weapons. Since the United States has produced no such weapons since 1969, the British Government believes that United States' moves towards modernisation of its limited retaliatory chemical warfare capability will emphasise to the Soviet Union the benefits of reaching early agreement on a chemical weapons ban. In the event of a failure to achieve a desired ban, modernisation of US chemical weapons would contribute to upholding NATO's deterrent strategy of flexible response.

In recent negotiations in Geneva on the banning of the production, stockpiling and deployment of chemical weapons, an agreement in principle was reached in 1986 on inspection of the destruction of chemical weapon stockpiles and on inspection of production facilities as well as of the civil chemical industry (see pp 260-2, 1986). In an attempt to break an impasse over arrangements for challenge inspection, Britain proposed that a challenged state should demonstrate that it was complying with its obligations within a specified timescale. The need for a comprehensive global ban on chemical weapons has been reinforced by evidence of their use by Iraq in its war with Iran; Britain, in an attempt to make proliferation more difficult, has imposed export controls on a range of chemicals as well as issuing an extensive warning list of chemicals to assist British industry in detecting any orders that might potentially be misused for the production of chemical weapons.

[1]Of these two threshold treaties signed by the United States and the Soviet Union, the first banned all underground nuclear tests above 150 kilotons; the second extended the earlier thresholds to all individual nuclear test explosions and imposed a new threshold of 1,500 kilotons for all group explosions. Although the agreements have not been ratified by the United States, both sides have agreed to abide by the constraints, and recently Mr Reagan has requested the US Senate's advice and consent to the ratification of the threshold treaties, subject to improvements in verification measures.

Confidence-Building Measures in Europe

The White Paper emphasises that creating a basis of trust is just as important as securing arms control agreements, since real security cannot be achieved so long as either side lacks confidence in the other, or if the risk of war through accident or misunderstanding exists. NATO has attached importance to the process launched by the Helsinki Conference on Security and Co-operation in Europe (CSCE) in 1975 and later in the Stockholm Conference on Disarmament in Europe (CDE) in 1983. The agreement in September 1986 at Stockholm (see pp 317-19, 1986), the first major arms control agreement since the second Strategic Arms Limitation Treaty of 1979, produced measures covering the size, advance notification and observation of military manoeuvres and provisions for their verification and inspection. It also promised 'to bring a greater degree of openness and predictability to military activities in the whole of Europe from the Atlantic to the Urals, thereby reducing tension, mistrust and the risk of military confrontation through accident or misunderstanding'. The success of the accord will depend on its being implemented fully in the spirit of the political commitment undertaken by all 35 participating states.

At the latest of the CSCE follow-up meetings which opened in Vienna in November 1986 (see pp 347-9, 1986), the British Government aims to press the Eastern participants for real progress on compliance, especially on human rights commitments and to seek balanced progress between the military, security, political, economic and human dimensions of the CSCE process.

Nuclear Weapons and NATO Strategy

The White Paper concludes its chapter on arms control with a section on nuclear weapons and NATO strategy. Nuclear deterrence is designed to preserve peace by presenting a potential aggressor with a clear risk that the costs of aggression would amply outweigh any conceivable gain; and that the use of force is no longer a rational option. This, the White Paper states, could not be achieved by conventional weapons alone. Without the risk of nuclear retaliation, the costs of aggression might no longer appear prohibitively high to an adversary. Moreover, a defence based solely on conventional weapons would not be able to deter an adversary having nuclear weapons who could use them, or threaten their use, to overcome conventional resistance.

Nuclear weapons on their own, however, are not sufficient for a credible deterrence strategy and, in recognition of this, NATO has evolved a strategy of flexible response (see below–'British Defence Policy'). For this to work, it requires the existence of the United States' nuclear guarantee, backed by a strong US conventional presence in Europe, and also the sharing of the risks and benefits of collective security among all members of the Alliance. Belgium, the Federal Republic of Germany, Greece, Italy, the Netherlands, Turkey as well as Britain directly participate in the provision of the Alliance's deterrent forces, including US controlled dual-capable aircraft and artillery, and Lance and Pershing nuclear missiles. Britain also assigns all its own strategic and theatre nuclear forces to the Alliance.

Although NATO has to maintain an effective stockpile of nuclear weapons to implement a strategy of nuclear deterrence, the Alliance is committed to deploying only enough of them to ensure deterrence while at the same time seeking to negotiate deep reductions in both sides' stockpiles. Deterrence can be assured at lower levels of armaments provided the Soviet Union is prepared to reduce its weapons so that there is balance between the two sides and both are assured of their own security. The Alliance's decision to withdraw 2,400 warheads from the land-based nuclear stockpile in Europe by 1988 (see pp 419-20, 1983), however, has not been reciprocated by the Warsaw Pact. Britain also believes that it is necessary to consider the wider balance of forces between East and West, in particular the Warsaw Pact's massive superiority in chemical and conventional weapons. Reductions in nuclear weapons would increase the importance of eliminating these other disparities and ensuring a stable overall balance. However, as long as the basic tensions between East and West are undiminished, NATO needs to continue to rely on a strategy of nuclear deterrence to keep the peace.

The United States' Contribution

The White Paper points out that the United States' commitment to Western Europe is essential and that NATO's defence posture depends critically on the United States' nuclear forces, together with its theatre nuclear and conventional forces based in Europe. In Britain's view there is no credible defence in the face of the massive Soviet nuclear, chemical and conventional threat without them. The most visible proof of the United States' commitment is its 350,000-strong force stationed in Europe. This is important because it is ultimately on Soviet perceptions of the strength and cohesion of the Alliance, and especially the inevitable involvement of the United States in any conflict in Europe, that the success of NATO's strategy of deterrence depends. Evidence that the Soviet Union recognises the key importance of this cohesion is seen in the efforts to which it has gone to divide Europe from the United States over issues such as the deployment of intermediate-range nuclear weapons, SDI and arms control. 'Thanks to the Alliance', the White Paper says, 'we are able to achieve a level of deterrence that would otherwise be unobtainable. Together we can ensure that deterrence is maintained, that the burden remains tolerable and that peace is preserved.'

European Defence Co-operation

The European contribution to collective defence is also substantial and Britain is committed to the maintenance and development of bilateral relations with its European allies and to playing a major part in the work of the main multilateral organisations devoted to European security co-operation and equipment collaboration. The Eurogroup, directed by defence ministers, concerts members' policies and practices in the fields of logistics, communications, training, medicine and long-term operational concepts (recently, for example, by exploring the difficulties to be faced in the management of defence budgets and ways of making better use of available resources) while also publicising in the United States the extent of European defence efforts. Equipment collaboration, worked out in the Independent European Programme Group (IEPG), is an increasingly important aspect of efforts to strengthen NATO's European pillar by sharing development costs, avoiding wasteful duplication of

effort, and achieving standardisation and interoperability. Britain believes that through Eurogroup and IEGP a more cohesive Europe is able to make a contribution to the Alliance that is far greater than the sum total of individual European contributions.

Equipment Collaboration

Equipment collaboration with Britain's NATO allies also plays an essential part in the effort to make more effective use of resources available for defence. The main multilateral forum for European defence collaboration is the IEPG which forms part of Europe's efforts to make a more effective contribution to the Alliance. European members also play a constructive part in NATO's Conference of National Armament Directors (CNAD) in exploiting the opportunity offered by a recent change in the United States' law which set aside funds from the United States' defence budget for collaborative research and development. A number of projects benefiting from this change are included in a list of collaborative projects published in the White Paper, such as an advanced sea mine (with Britain), an airborne radar demonstrator system (with Britain and France) and a series of communication systems (with Britain and other NATO allies). Other projects in research, development, production or service with British participation include the Sea Gnat decoy system, the Paris sonar, and the NATO frigate replacement; the FH70 howitzer, Scorpion reconnaissance vehicle and the multiple-launched rocket system; and various types of missiles including the air-to-surface Martel, air-to-air Sidewinder, and the anti-tank Milan.

NATO Defence Planning

A prerequisite of maintaining effective deterrent forces is successful forward planning. In NATO the purpose of this planning process is both to encourage nations to develop their national plans in directions beneficial to the Alliance as a whole, and to monitor the progress made by nations in meeting agreed Alliance goals, adopted by defence ministers in the Defence Planning Committee. For the past two years, NATO has devoted considerable effort to improving its conventional defence to avoid it having to rely on nuclear weapons early on in a conflict. Following a report given to the Defence Planning Committee in 1985 highlighting key deficiencies in the Alliance's conventional capability, an exercise to improve the credibility of NATO's conventional forces began, essentially by focusing on collective Alliance needs, clearer military priorities, improvements in co-ordination between different planning areas, and longer-term planning.

The Nuclear Planning Group (NPG) provides a forum in which questions of NATO defence policy and planning can be considered, for example, how many and what type of nuclear weapons are needed to maintain deterrence, how they ought to be deployed, and what procedures are required to give effect to proper participation and consultation. The NPG also provides the opportunity to discuss force modernisation, testing, nuclear safety and security, and nuclear arms control.

British Defence Policy

The White Paper says that the North Atlantic Alliance and its deterrent strategy of forward defence and flexible response is the only realistic way of providing for Britain's defence. The aim of this strategy, which threatens no-one since none of NATO's weapons would ever be used except in response to an attack, is first to prevent war and then, should war occur, to respond at the appropriate level to stop the aggressor in his attack and to make him withdraw. More than 95 per cent of Britain's defence budget goes to NATO and it is the only European member to contribute to the Alliance's strategic and theatre nuclear forces and to its conventional forces. Its forces are committed to the three major NATO commands of Europe, the Atlantic and the Channel.

Britain's main roles in NATO are the provision of nuclear forces, including the maintenance of an independent strategic nuclear deterrent; the defence of Britain, a vital support base for the Alliance; land and air forces based in Europe to contribute to forward defence, with a capability for massive reinforcement from Britain if required; and maritime forces in the Eastern Atlantic and the Channel which also contribute to forward defence in the Norwegian Sea. In addition, it provides specialist reinforcements, mainly to NATO's northern flank, but also to the southern region of the Alliance, as well as to the strategically important Strait of Gibraltar. Britain also retains important defence responsibilities and interests outside the NATO area.

The Armed Forces, Roles and Equipment

The White Paper sets out the contributions made by Britain's three services to the four roles assigned to them by NATO – the nuclear role and the defence of Britain, of the European mainland, and of the Eastern Atlantic and the Channel.

Royal Navy

Since 1969 Britain's independent strategic nuclear deterrent has been provided by four Royal Navy Polaris submarines which are to be replaced in the mid-1990s by the Trident submarine system.

Reviewing the reasons why Britain decided in 1980 to acquire the Trident missile system from the United States, the White Paper says that the existence of independent British and French strategic deterrents significantly reduces the risk of a Soviet nuclear or conventional attack against Britain and its NATO allies by ensuring that the risks involved in starting a war are seen by a potential aggressor as far greater than any possible gains it could hope to achieve. Moreover, although the integrity and vital importance of the US commitment to Europe are not in doubt, the Soviet leaders would have to take account of the British nuclear forces if they were at some stage tempted to calculate that they could impose their will on Western Europe by military force without becoming involved in strategic nuclear war with the United States. Strong conventional forces by themselves cannot provide an effective deterrent, while the saving from abandoning Trident would only maintain little more than one armoured division of 300 tanks against the Warsaw Pact whose tanks currently outnumber NATO's by 30,000. In discussing the decision to purchase Trident, the White Paper says that, in view of the modernisation and expansion of the Soviet anti-ballistic missile system and of other improvements in Soviet anti-submarine warfare techniques, more warheads of longer range are needed if Trident is to pose the same threat as existed in the early days of Polaris. Each of the four submarines would carry a maximum of 128 warheads,

representing the capability necessary to keep the deterrent effective and credible. Although far less than their full capacity, it is an increase of two and a half times the payload of the early Polaris. Even after the 50 per cent decreases in Soviet and US arsenals discussed at Reykjavik, Trident would represent a smaller proportion of Soviet strategic warheads than did Polaris in 1970.

The latest cost estimate for the Trident programme, the White Paper says, is £9,265 million. At its peak, the programme will account for less than 11 per cent of the equipment budget; £3,000 million has been committed (of which £1,000 million has been spent). More than 60 per cent of the estimate is expected to be spent in Britain, sustaining an average of 7,500 direct and 6,000 indirect jobs throughout the procurement period.[1]

Since the defence of Western Europe depends on NATO's ability to ensure the safe passage of seaborne reinforcements and supplies across the Atlantic, the Channel and the North Sea, NATO maintains powerful maritime forces in these areas – nearly 70 per cent provided by Britain – ready to deploy early against the Soviet Union's Northern Fleet, if necessary before the arrival of US naval reinforcements. In wartime, the Royal Navy would intercept and contain Soviet forces in the Norwegian Sea; defend shipping bringing in reinforcements and supplies, in conjunction with US and European maritime forces and supported by the RAF; engage in anti-submarine defence of the NATO Striking Fleet Atlantic; and take part in the deployment of the United Kingdom/Netherlands Amphibious Force designed to reinforce NATO's north flank. Britain's position is such that its defence is also essential to NATO, and the Royal Navy's contribution includes mine-countermeasures (MCM) and defensive mining of home waters, additional air defence, and taking part in the defence against an attack from the north.

The defence of the northern region of Europe is also of crucial importance to Britain, and, during a time of tension or war, Royal Marines Commandos would be available to reinforce Norway, the Baltic Approaches or the Atlantic islands, the Royal Navy providing amphibious and support shipping. The assault ships (HM Ships *Fearless* and *Intrepid*) will be retained in an amphibious role until the mid-1990s, while studies into the possibility of building new vessels will begin. Further support is provided by six landing ships, one of which, the replacement *Sir Galahad*, is planned to enter service later in 1987. The Royal Naval and Royal Marines reserves play an important role in reinforcing regular forces, as well as providing maritime home defence by carrying out MCM tasks and defending key points, ports and anchorages against attack.

The strength of the Royal Navy in April 1987 includes the four Polaris submarines, 15 of the nuclear-powered Fleet-class submarines and 12 other submarines; three anti-submarine warfare (ASW) carriers; 14 guided-missile destroyers; and 40 frigates (including 11 of the Type 22 class). There are also 17 minesweepers and 25 minehunters in addition to patrol craft and support and survey ships. Because of the increasing size and capability of the Soviet submarine fleet, particular emphasis is placed on the Royal Navy's ASW capability ranging from nuclear depth-bombs carried by shipborne helicopters and free-fall nuclear weapons delivered by carrier-launched Sea Harrier aircraft to the new diesel-electric Upholder submarines, four of which are on order. The updating of the surface fleet is continuing, six Type 22 frigates being under construction and four Type 23 ASW frigates under order (the first of the latter is expected to enter service around 1990). Other equipment ordered includes the first new auxiliary oiler replenishment ship which, armed with defensive weapons, would be able to operate far away from the main body of the fleet, supporting towed-array vessels; electronics for hull-mounted sonars for ships, and more Phalanx and Goalkeeper close-in weapons systems. The development and initial production of a command system for submarines have also been ordered together with the development and production of sonar for the Trident submarines. In addition, the collaborative British-Italian EH101 ASW helicopter is proceeding and an initial order of 50 aircraft is envisaged.

[1]Further information is given in *The Progress of the Trident Programme*, the Third Report from the House of Commons Defence Committee, Session 1986-87. HMSO, £4·20, ISBN 0 10 235687 4.

The Army

The Army's main contribution is its role in Europe's central region. Britain's land and air forces there demonstrate its positive commitment to the security of Europe and are the embodiment of the concept that the forward defence of the Federal Republic of Germany is the forward defence of Britain itself. The British Army of the Rhine (BAOR) consists of elements of a major combat force, 1 (BR) Corps, and has a peacetime establishment of 55,000 (56,000 by the end of the decade) including three armoured divisions headquarters, seven armoured brigades, an air-mobile brigade and substantial corps troops. On mobilisation, BAOR would be rapidly increased to over 150,000 with the arrival from Britain mainly of 2nd Infantry Division headquarters, two regular infantry brigades, and two Territorial Army (TA) infantry brigades. Together with forces from Belgium, the Netherlands and the Federal Republic, 1 (BR) Corps – itself covering 65 km of the front – forms NATO's Northern Army Group responsible for the defence of an area from Cologne to the Elbe. Britain also provides land forces for deployment on either northern or southern flanks of NATO, while its mobile force is currently earmarked for rapid deployment in tension or war to the Baltic approaches to reinforce Denmark or Schleswig-Holstein. The Army also supplies the majority of the 100,000 ground forces available for the defence of Britain, their responsibilities including the protection of vital installations and bases from sabotage or attack.

The expansion of the TA is proceeding, with the formation of five of the six planned infantry battalions, two more Royal Engineer airfield damage repair squadrons, and an Army Air Corps squadron equipped with the Scout utility helicopter, many of these formations having home defence roles. Recruitment for the Home Service Force, raised specially for home defence, is also proceeding, and planning is under way to assign specific wartime roles to an additional 35,000 regular Army reservists in both Britain and BAOR.

The Army's commitment to countering the terrorist threat in Northern Ireland remains undiminished, although the number of regular Army personnel in the Province has been reduced from the peak of 22,000

in the early 1970s to just over 10,000 (including ten regular infantry battalions). Further steps have been taken to improve the capability of the Ulster Defence Regiment (UDR) of 6,500 members, who make a substantial contribution to the high level of support provided by the Army to the Royal Ulster Constabulary. In 1986 casualties remained high, however, with 12 soldiers, including eight from the UDR, being killed (bringing the total since 1969 to 545) and another 55 injured.

The most significant recent additions to the Army's strength are the introduction of the Saxon armoured personnel carrier and the ordering of a seventh regiment of Challenger tanks. The new Warrior mechanised infantry combat vehicle will enter service shortly, while the re-mechanisation of 6th (Airmobile) Brigade with Challenger and Warrior, to begin in 1988, will make an important contribution to the defence of the central region. A third air defence regiment, equipped with Starstreak missiles, will also be formed. Contracts for the towed Rapier anti-aircraft missile system and a new logistic vehicle have been placed, and other new equipment entering service includes the SA80 infantry rifle, a new respirator for nuclear, biological and chemical defence, and a range of battlefield thermal imager systems.

The Royal Air Force

The Royal Air Force makes a significant contribution to NATO's theatre nuclear force for deterrence in Europe, has primary responsibility for Britain's air defence, maintains a powerful tactical air force in the Federal Republic of Germany, provides units for the early reinforcement of the northern region, and fulfils major tasks in the Eastern Atlantic and the Channel. The RAF also provides airlift support for all three services, while giving Britain the strategic reach and tactical flexibility to meet unforeseen tasks, whether deploying combat squadrons to distant locations by the use of air-to-air refuelling aircraft or supporting overseas bases and garrisons.

On the central front, RAF Germany forms part of the Second Allied Tactical Air Force, and provides air defence, a task done by two squadrons of Phantoms and four Rapier squadrons. In wartime NATO's air forces would have to combat any Warsaw Pact air offensive against NATO ground forces and other military and civilian targets, RAF Phantom and Tornado aircraft being involved in this role. Tornados and two squadrons of Harriers would have the task of attacking armoured units that might break through, while Tornados operating in the strike/attack role could also deliver nuclear bombs. Jaguar aircraft would provide reconnaissance for the Second Allied Tactical Air Force, and two squadrons of Chinook and Puma helicopters would support 1 (BR) Corps.

The main responsibility of RAF Strike Command is the air defence of Britain and the surrounding sea areas, including the defence of Royal Navy ships or task groups, using Lightning and Phantom aircraft supported by Bloodhound and Rapier anti-aircraft missiles and radar-controlled guns (Skyguard). Strike Command also operates the ballistic missile early warning system at RAF Fylingdales which is to be modernised, in co-operation with the US Government, to maintain its effectiveness against modern multiple-warhead missiles. In maritime operations the RAF's major concern, in concert with the Royal Navy, is to safeguard reinforcement and re-supply shipping from North America against seaborne threats, mainly from submarines, and it operates four squadrons of Nimrod Mk 2 aircraft for ASW duties and two squadrons of Buccaneers for anti-ship operations. The Nimrods can also deliver anti-ship missiles.

Britain's air defence forces are being modernised in order to enable them to continue their role into the next century. The first squadron of the Tornado air-defence aircraft will become operational later in 1987, and installation of the improved UK Air Defence Ground Environment radar system is under way; its enhancement will be further achieved by 1991 when the first of six Boeing A-3A Airborne Warning and Control System aircraft to replace the Shackleton are delivered (see pp 21-2). Other improvements include the completion of the deployment of Tornado strike/attack aircraft with a total of nine squadrons (seven to RAF Germany); the entering into service of the JP233 cratering and area-denial weapon; and the replacement from 1988 of the Harrier GR3 with the GR5 which offers increased range and payload and, later, night/poor weather capability. The support helicopter force is also being modernised as is the RAF's tanker force.

Outside the NATO Area

Britain also has commitments and activities outside the NATO area, and is responsible for the defence of its dependent territories, as well as having agreements with a range of former colonies and Gulf states. Britain has a military presence on the Falkland Islands to deter aggression and defend the islands; it is also responsible for the defence and internal security of Hong Kong until 1997 when its control is to pass to the Government of the People's Republic of China. The present garrison consists of three Gurkha and one British infantry battalions, and supporting units together with Royal Navy and RAF elements; the strength of the garrison is to be further reduced nearer 1997 as the Royal Hong Kong Police will become responsible for a higher proportion of the internal security and other tasks currently carried out by the garrison.

At the request of the respective governments, a Gurkha battalion and supporting units are based in Brunei, and other forces are stationed in Belize to protect the country from external aggression. In Cyprus Britain maintains forces at two Sovereign Base Areas and at other retained sites (such as RAF Akrotiri) for operations in the area and to support United Nations peacekeeping forces in Cyprus, Sinai, Lebanon and on the Golan Heights (forces which in addition involve nearly 1,000 British troops).

In addition to having the capacity to reinforce and support these garrisons during times of tension, Britain can also deploy, after consultation with its NATO allies, substantial forces that can operate if necessary anywhere in the world. Royal Navy ships, for example, are continuously deployed in the Arabian Sea to assist British merchant shipping in the Gulf, and there are other vessels stationed in Hong Kong, the West Indies and the South Atlantic; task groups supplement this coverage periodically with deployments to many other parts of the world. Military forces for operations outside the NATO area can be deployed at short notice, as can air force units, assisted by transport aircraft

which, by 1988, will all be equipped for air-to-air refuelling.

Military assistance, the White Paper says, is a popular and cost-effective way of promoting stability and security in areas of the world important to Britain; in programmes designed to help friendly nations to improve and maintain the effectiveness of their armed forces, over 650 servicemen were on loan to countries outside NATO in 1985-86, while 3,600 students attended military training courses in Britain.

The Services and the Community

The services have a unique and varied contribution to make to the life of the community, from search and rescue around Britain's coasts to disaster relief overseas. In 1986 bomb disposal teams in Great Britain responded to nearly 4,400 requests for help, including over 470 suspected terrorist bombs. In addition nearly 4,000 conventional munitions dating from the first and second world wars were disposed of. In Northern Ireland bomb disposal teams neutralised some 4,292 kg of explosive. Royal Navy and Royal Air Force helicopters, assisted where necessary by Nimrod maritime aircraft, and RAF mountain rescue teams rescued 811 people.

Disaster relief operations involving all three services took place in 1986 and early 1987. Army teams restored communications in the Solomon Islands following a cyclone in May 1986, and in Jamaica units assisted in relief work after floods in June 1986; elements of the Belize garrison contributed to relief operations in El Salvador following an earthquake in October 1986. In Britain the services gave assistance on a number of occasions, most notably in supplying Royal Navy divers and RAF helicopters to help in rescue operations after the capsizing of the passenger ferry *Herald of Free Enterprise* outside Zeebrugge in March 1987.

The Defence Budget

The defence budget for 1987-88 is £18,782 million, with planned provisions for 1988-89 and 1989-90 being £18,980 million and £19,470 million respectively. On current inflation assumptions, and taking into account the latest forecast of spending in 1986-87, it is expected to decline by 5 per cent in real terms in the three years to 1988-89 before broadly levelling out in 1989-90. Although the ending of the commitment to maintain real growth, announced in the 1986 White Paper (see p 183, 1986), will mean that difficult choices will have to be made between relative priorities in forward plans, the White Paper says Britain can maintain its main defence roles because of the real growth achieved between 1978-79 and 1985-86. In both absolute terms and as a percentage of gross domestic product (5·1 per cent) the British defence budget continues to be among the highest in NATO.

Equipment, Research and Exports

In 1987-88 resources to be spent on new equipment are estimated to be nearly £8,540 million, 45·5 per cent of the defence budget.

Over £400 million will be spent in defence research in 1987-88. Regarding defence exports, it is estimated that the total value of new contracts in 1986 will reach £5,000 million (including the purchase of Tornado aircraft and other equipment by Saudi Arabia, worth at least £5,000 million over a number of years), an increase of more than 70 per cent over the 1985 figure. Such orders continue to maintain a large number of jobs in Britain, whose share of the world's defence market is nearly 9 per cent. By the end of 1986 a total of $34 million of the United States' investment in SDI had been awarded to 36 British companies and academic institutions.

Personnel

The regular armed forces totalled 320,100 personnel in January 1987, of whom 66,400 were in the Royal Navy and the Royal Marines, 160,300 in the Army and 93,400 in the Royal Air Force. Reserve forces totalled 313,600, of whom 217,900 were regular reserves and 95,700 volunteer reserves and the auxiliary forces. Cadet forces numbered 144,300.

Since 1979 the number of civilians employed by the Ministry of Defence in Britain has been reduced by about 81,000 to some 166,600. This is to be reduced to 148,000 by April 1988, as part of the Government's aim of providing a cost-effective support for the front-line forces, releasing the maximum possible resources to them. The services too have been able to cut back their support elements, with the Royal Navy, for example, reducing its uniformed strength by 7,200 since 1981 so that some 70 per cent of its manpower is now devoted to the front line and its direct support.

Venice Economic Summit: Political Statements

The thirteenth annual economic summit of seven Western industrialised countries took place in Venice from 8 to 10 June. Political statements on East-West relations, the Gulf war and terrorism were also issued by the heads of State or Government, together with a summary of their discussions on regional issues.

The summit was attended by the heads of State or Government of Britain, Canada, France, the Federal Republic of Germany, Italy, Japan and the United States, together with representatives of the European Community.

The text of the economic statement is given on p 202; a statement was also made on AIDS and drug abuse (see p 218). The full texts of the political statements are given below.

East-West Relations

***1** We, the heads of State or Government of seven major industrial nations and the Representatives of the European Community, have discussed East-West relations. We reaffirm our shared principles and objectives, and our common dedication to preserving and strengthening peace.*

***2** We recognise with pride that our shared values of freedom, democracy and respect for human rights are the source of the dynamism and prosperity of our societies. We renew our commitment to the search for a freer, more democratic and more humane world.*

3 Within existing alliances each of us is resolved to maintain a strong and credible defence which threatens the security of no-one, protects freedom, deters aggression and maintains peace. We shall continue to consult closely on all matters affecting our common interest. We will not be separated from the principles that guide us all.

4 Since we last met, new opportunities have opened for progress in East-West relations. We are encouraged by these developments. They confirm the soundness of the policies we have each pursued in our determination to achieve a freer and safer world.

5 We are following with close interest recent developments in the internal and external policies of the Soviet Union. It is our hope that they will prove to be of great significance for the improvement of political, economic and security relations between the countries of East and West. At the same time, profound differences persist; each of us must remain vigilantly alert in responding to all aspects of Soviet policy.

6 We reaffirm our commitment to peace and increased security at lower levels of arms. We seek a comprehensive effort to lower tensions and to achieve verifiable arms reductions. While reaffirming the continuing importance of nuclear deterrence in preserving peace, we note with satisfaction that dialogue on arms control has intensified and that more favourable prospects have emerged for the reduction of nuclear forces [see pp 192-3]. *We appreciate* [United States'] *efforts to negotiate balanced, substantial and verifiable reductions in nuclear weapons. We emphasise our determination to enhance conventional stability at a lower level of forces and achieve the total elimination of chemical weapons. We believe that these goals should be actively pursued and translated into concrete agreements. We urge the Soviet Union to negotiate in a positive and constructive manner. An effective resolution of these issues is an essential requirement for real and enduring stability in the world.*

7 We will be paying close attention not only to Soviet statements but also to Soviet actions on issues of common concern to us. In particular:

– We call for significant and lasting progress in human rights, which is essential to building trust between our societies. Much still remains to be done to meet the principles agreed and commitments undertaken in the Helsinki Final Act and confirmed since;

– We look for an early and peaceful resolution of regional conflicts, and especially for a rapid and total withdrawal of Soviet forces from Afghanistan so that the people of Afghanistan may freely determine their own future;

– We encourage greater contact, freer interchange of ideas and more extensive dialogue between our people and the people of the Soviet Union and Eastern Europe.

8 Thus, we each seek to stabilise military competition between East and West at lower levels of arms; to encourage stable political solutions to regional conflicts; to secure lasting improvements in human rights; and to build contacts, confidence and trust between governments and peoples in a more humane world. Progress across the board is necessary to establish a durable foundation for stable and constructive relationships between the countries of East and West.

Terrorism

We, the heads of State or Government of seven major democracies and the Representatives of the European Community assembled here in Venice, profoundly aware of our peoples' concern at the threat posed by terrorism:

– reaffirm our commitment to the statements on terrorism made at previous Summits, in Bonn, Venice, Ottawa, London and Tokyo [see p 296, 1978; p 216, 1980; p 228, 1981; p 219, 1984; and p 140, 1986];

– resolutely condemn all forms of terrorism, including aircraft hijackings and hostage-taking, and reiterate our belief that whatever its motives, terrorism has no justification;

– confirm the commitment of each of us to the principle of making no concessions to terrorists or their sponsors;

– remain resolved to apply, in respect of any State clearly involved in sponsoring or supporting international terrorism, effective measures within the framework of international law and in our own jurisdictions;

– welcome the progress made in international co-operation against terrorism since we last met in Tokyo in May 1986, and in particular the initiative taken by France and the Federal Republic of Germany to convene in May in Paris a meeting of Ministers of nine countries, who are responsible for counter-terrorism;

– reaffirm our determination to combat terrorism both through national measures and through international co-operation among ourselves and with others, when appropriate, and therefore renew our appeal to all like-minded countries to consolidate and extend international co-operation in all appropriate fora [see p 320, 1986];

– will continue our efforts to improve the safety of travellers. We welcome improvements in airport and maritime security, and encourage the work of ICAO [International Civil Aviation Organisation] *and IMO* [International Maritime Organisation] *in this regard. Each of us will continue to monitor closely the activities of airlines which raise security problems. The heads of State or Government have decided on measures, annexed to this statement, to make the 1978 Bonn Declaration more effective in dealing with all forms of terrorism affecting civil aviation;*

– commit ourselves to support the rule of law in bringing terrorists to justice. Each of us pledges increased co-operation in the relevant fora and within the framework of domestic and international law on the investigation, apprehension and prosecution of terrorists. In particular we reaffirm the principle established by relevant international conventions of trying or extraditing, according to national laws and those international conventions, those who have perpetrated acts of terrorism.

Annex on Terrorism

The heads of State or Government recall that in their Tokyo Statement on international terrorism they agreed to make the 1978 Bonn Declaration more effective in dealing with all forms of terrorism affecting civil aviation. To this end, in cases where a country refuses extradition or prosecution of those who have committed offences described in the Montreal Convention for

the Suppression of Unlawful Acts against the Safety of Civil Aviation and/or does not return the aircraft involved, the heads of State or Government are jointly resolved that their Governments shall take immediate action to cease flights to that country as stated in the Bonn Declaration.

At the same time, their Governments will initiate action to halt incoming flights from that country or from any country by the airlines of the country concerned as stated in the Bonn Declaration.

The heads of State or Government intend also to extend the Bonn Declaration in due time to cover any future relevant amendment to the above Convention or any other aviation conventions relating to the extradition or prosecution of the offenders.

The heads of State or Government urge other governments to join them in this commitment.

Gulf War

We agree that new and concerted international efforts are urgently required to help bring the Iraq-Iran war to an end [see p 88, 1986]. *We favour the earliest possible negotiated end to the war with the territorial integrity and independence of both Iraq and Iran intact. Both countries have suffered grievously from this long and tragic war. Neighbouring countries are threatened with the possible spread of the conflict. We call once more upon both parties to negotiate an immediate end of the war. We strongly support the mediation efforts of the United Nations Secretary-General and urge the adoption of just and effective measures by the UN Security Council. With these objectives in mind, we reaffirm that the principle of freedom of navigation in the Gulf is of paramount importance for us and for others and must be upheld. The free flow of oil and other traffic through the Strait of Hormuz must continue unimpeded.*

We pledge to continue to consult on ways to pursue these important goals effectively.

Summary on Other Issues

In the field of East-West relations, particular attention was paid to a number of regional issues.

On the subject of Afghanistan, emphasis was placed once again on the need to keep up pressure so that the Afghan people can very soon determine their own future in a country no longer subject to external military occupation [see pp 18-21].

It was noted that the presence in Cambodia of foreign troops continues to be an obstacle to the peace and tranquillity of South-East Asia.

In the Pacific, newly independent island states are faced with difficult economic situations. We have stressed the need to support their development process in conditions of complete freedom from outside political interference.

In Asia, we agreed that particular attention should be paid to the efforts for economic reform undertaken by China. We reviewed the situation in the Korean peninsula, in the belief that the next Olympic Games may create a climate favourable to the development of a more open dialogue between North and South. In the Philippines, the democratic Government is involved in a courageous attempt at economic and social renewal which deserves our support.

As regards Africa – a continent with enormous potentialities but facing extremely serious economic, social and political problems – we viewed the situation in South Africa with particular concern [see pp 321-5, 1986]. *We agreed that a peaceful and lasting solution can only be found to the present crises if the apartheid regime is dismantled and replaced by a new form of democratic, non-racial government. There is an urgent need, therefore, to begin a genuine dialogue with the representatives of all the components of South African society.*

At the same time we noted the importance of humanitarian assistance initiatives for the victims of apartheid and of supporting the efforts by SADCC (Southern African Development Co-ordination Conference) member states to develop and strengthen their own economies [see pp 91-2].

Serious concern was expressed at the continuing dangerous tensions and conflicts in the Near and Middle East and at the absence of concrete progress toward a solution to the Arab-Israeli dispute. The need for action to create conditions for a just, global and lasting peace was reaffirmed.

Concern was also expressed at the situation in the occupied territories.

The situation in Lebanon, with its serious internal tensions and the persisting problem of the Palestinian camps, continues to give cause for concern.

In this connection we reaffirmed our hope that genuine efforts be made towards national reconciliation.

With regard to Latin America, the discussion highlighted the need to promote appropriate initiatives aimed at supporting democratic governments and encouraging the return to democracy and its consolidation throughout the continent. There was also agreement that efforts toward regional integration will help open up a fruitful and constructive dialogue with the West: they therefore deserve support.

With regard to developments in Central America, it is hoped that the forthcoming summit to be held in Guatemala can play a positive role in finding the way to peace and stability [see pp 92-3].

Finally, we turned to the problems of the United Nations Organisation and, in particular to its current financial difficulties, and considered possible ways of overcoming them.

Shorter Note

THE CROWN AGENTS

The annual report and accounts of the Crown Agents for Oversea Governments and Administrations were published in May. The Agents are a statutory body, which provides financial, professional and commercial services for over 100 governments and 300 public authorities and international bodies, including purchasing, shipping and insuring material and equipment; supervision and management of engineering projects; money management and investment; and recruitment, consultancy and training. They provide help in administering Britain's programme of bilateral aid to developing countries and are involved in other countries' bilateral aid programmes as well as those of multilateral agencies. In 1986 the value of new orders placed with the Agents and funded through Britain's

bilateral aid programme was £71·5 million. In addition, the Agents' aid administration service managed 163 loans and grants with a value of £2,000 million.

The Agents' activities included, in Africa, an increase in procurement work, particularly in East Africa, where with the exception of Ethiopia, recovery from the drought and famine conditions of recent years has been good. The Agents were active in the disbursement of British bilateral aid to Uganda and Tanzania and were also working on World Bank-led projects in both these countries in agricultural rehabilitation and water cycle engineering. Work funded by British bilateral aid continued elsewhere in Africa in various countries including Mozambique, Senegal and the Ivory Coast.

In Asia and the Pacific, the Agents were particularly active in developing regional training services. Courses, seminars and workshops tailored to local needs were organised in areas such as stock control, warehouse management and purchasing, equipment training, maintenance and manpower development. Among new projects won was that for the provision of construction management and training components to the World Bank funded Third Highway Project in Nepal, involving the procurement of equipment and materials and the training of Nepalese staff in Britain.

Examples of work undertaken in the Caribbean included the procurement of a large quantity of road rehabilitation plant and equipment for Barbados under a World Bank loan and the execution of the procurement aspects of a complex World Bank financed education project in Jamaica.

Source: *Crown Agents for Oversea Governments and Administrations.* Annual Report and Accounts 1986. Available unpriced from the Crown Agents, St Nicholas House, St Nicholas Road, Sutton, Surrey SM1 1EL.

ECONOMIC AND SCIENTIFIC AFFAIRS

Venice Economic Summit

The thirteenth annual economic summit of seven Western industrialised countries took place in Venice from 8 to 10 June to review the progress of their policies for economic growth, stability and employment.

The summit was attended by the heads of State or Government of Britain, Canada, France, the Federal Republic of Germany, Italy, Japan and the United States, together with representatives of the European Community.

In addition to economic policy, the summit dealt with political issues, including East-West relations, terrorism and the Gulf War (see p 198), and with the problems of the spread of AIDS and of drug abuse (see p 218).

The full text of the final statement from the economic summit is as follows:

Introduction

1 We, the heads of State or Government of the seven major industrialised countries and the representatives of the European Community, have met in Venice from 8 to 10 June, 1987, to review the progress that our countries have made, individually and collectively in carrying out the policies to which we committed ourselves at earlier summits.

We remain determined to pursue these policies for growth, stability, employment and prosperity for our own countries and for the world economy.

2 We can look back on a number of positive developments since we met a year ago. Growth is continuing into its fifth consecutive year, albeit at lower rates. Average inflation rates have come down. Interest rates have generally declined. Changes have occurred in relationships among leading currencies, which over time will contribute to a more sustainable pattern of current account positions and have brought exchange rates within ranges broadly consistent with economic fundamentals. In volume terms, the adjustment of trade flows is under way, although in nominal terms imbalances so far remain too large.

Macroeconomic Policies and Exchange Rates

3 Since Tokyo [see pp 147-9, 1986], *the summit countries have intensified their economic policy coordination with a view to ensuring internal consistency of domestic policies and their international compatibility. This is essential to achieving stronger and sustained global growth, reduced external imbalances and more stable exchange relationships.*

Given the policy agreements reached at the Louvre [see pp 95-6] *and in Washington, further substantial shifts in exchange rates could prove counterproductive to efforts to increase growth and facilitate adjustment. We reaffirm our commitment to the swift and full implementation of these agreements.*

4 We now need to overcome the problems that nevertheless remain in some of our countries: external imbalances that are still large; persistently high unemployment; large public-sector deficits and high levels of real interest rates. There are also continuing trade restrictions and increased protectionist pressures, persistent weakness of many primary commodity markets, and reduced prospects for developing countries to grow, find the markets they need and service their foreign debt.

5 The correction of external imbalances will be a long and difficult process. Exchange rates alone will not solve the problem of correcting these imbalances while sustaining growth. Surplus countries will design their policies to strengthen domestic demand and reduce external surpluses while maintaining price stability. Deficit countries, while following policies designed to encourage steady low-inflation growth, will reduce their fiscal and external imbalances.

6 We call on other industrial countries to participate in the effort to sustain economic activity worldwide. We also call on newly industrialised economies with rapid growth and large external surpluses to assume greater responsibility for preserving an open world trading system by reducing trade barriers and pursuing policies that allow their currencies more fully to reflect underlying fundamentals.

7 Among the summit countries, budgetary discipline remains an important medium-term objective and the reduction of existing public-sector imbalances a necessity for a number of them. Those summit countries which have made significant progress in fiscal consolidation and have large external surpluses remain committed to following fiscal and monetary policies designed to strengthen domestic growth, within a framework of medium-term fiscal objectives. Monetary policy should also support non-inflationary growth and foster stability of exchange rates. In view of the outlook for low inflation in many countries, a further market-led decline of interest rates would be helpful.

Structural Policies

8 We also agree on the need for effective structural policies especially for creating jobs. To this end we shall:

– Promote competition in order to speed up industrial adjustment;

– Reduce major imbalances between agricultural supply and demand;

– Facilitate job-creating investment;

– Improve the functioning of labour markets;

Promote the further opening of internal markets;

– Encourage the elimination of capital market imperfections and restrictions and the improvement of the functioning of international financial markets.

Multilateral Surveillance Policy Co-ordination

9 *We warmly welcome the progress achieved by the Group of Seven finance ministers in developing and implementing strengthened arrangements for multilateral surveillance and economic co-ordination as called for in Tokyo last year. The new process of co-ordination, involving the use of economic indicators, will enhance efforts to achieve more consistent and mutually compatible policies by our countries.*

10 *The heads of State or Government reaffirmed the important policy commitments and undertakings adopted at the Louvre and Washington meetings of the Group of Seven, including those relating to exchange rates. They agree that, if in the future world economic growth is insufficient, additional actions will be required to achieve their common objectives. Accordingly, they call on their finance ministers to develop, if necessary, additional appropriate policy measures for this purpose and to continue to co-operate closely to foster stability of exchange rates.*

11 *The co-ordination of economic policies is an ongoing process which will evolve and become more effective over time. The heads of State or Government endorsed the understandings reached by the Group of Seven finance ministers to strengthen, with the assistance of the international Monetary Fund (IMF), the surveillance of their economies using economic indicators including exchange rates, in particular by:*

– The commitment by each country to develop medium-term objectives and projections for its economy, and for the group to develop objectives and projections, that are mutually consistent both individually and collectively;

– The use of the performance indicators to review and assess current economic trends and to determine whether there are significant deviations from an intended course that require consideration of remedial actions.

12 *The heads of State or Government consider these measures important steps towards promoting sustained non-inflationary global growth and greater currency stability. They call upon the Group of Seven finance ministers and central bank governors to:*

– Intensify their co-ordination efforts with a view to achieving prompt and effective implementation of the agreed policy undertakings and commitments;

– Monitor economic developments closely in co-operation with the managing director of the IMF;

– Consider further improvements as appropriate to make the co-ordination process more effective.

Trade

13 *We note rising protectionist pressures with grave concern. The Uruguay round* [see pp 328-9, 1986] *can play an important role in maintaining and strengthening the multilateral trading system and achieving increased liberalisation of trade for the benefit of all countries. Recognising the inter-relationships among growth, trade and development, it is essential to improve the multilateral system based on the principles and rules of the General Agreement on Tariffs and Trade (GATT) and bring about a wider coverage of world trade under agreed, effective and enforceable multilateral discipline. Protectionist actions would be counterproductive, would increase the risk of further exchange rate instability and would exacerbate the problems of development and indebtedness.*

14 *We endorse fully the commitment to adopt appropriate measures in compliance with principles of standstill and roll-back which have been reaffirmed in the ministerial declaration on the Uruguay round. It is important to establish in the GATT a multilateral framework of principles and rules for trade in services, trade-related investment measures and intellectual property rights. This extension of the multilateral trading system would also be beneficial to developing countries in fostering growth and enhancing trade, investment and technology transfers.*

15 *Basing ourselves on the ministerial declaration on the Uruguay round and on the principles of the GATT, we call on all contracting parties to negotiate comprehensively, in good faith and with all due dispatch, with a view to ensuring mutual advantage and increased benefits to all participants. Canada, Japan, and the United States and the European Community will table a wide range of substantive proposals in Geneva over the coming months. Progress in the Uruguay round will be kept under close political review. In this context, the launching, the conduct and the implementation of the outcome of the negotiations should be treated as parts of a single undertaking; however, agreements reached at an early stage might be implemented on a provisional or definitive basis by agreement prior to the formal conclusion of the negotiations, and should be taken into account in assessing the overall balance of the negotiations.*

16 *A strong, credible, working GATT is essential to the well-being of all trading countries and is the best bulwark against mounting bilateral protectionist pressures. The functioning of the GATT should be improved through enhancing its role in maintaining an open multilateral system and its ability to manage disputes; and through ensuring better co-ordination between the GATT and the IMF and the World Bank. We consider that it would be useful to have, as appropriate, in the course of negotiations, a meeting of the trade negotiating committee at the ministerial level.*

Agriculture

17 *At Tokyo we recognised the serious nature of the agricultural problem* [see p 148, 1986]. *We agreed that the structure of agricultural production needed to be adjusted in the light of world demand, and expressed our determination to give full support to the work of the OECD in this field. In doing so, we all recognised the importance of agriculture to the well-being of our rural communities. In the past year, we have actively pursued the approach outlined at Tokyo, and we take satisfaction from the agreement in the ministerial declaration adopted in Punta del Este on the objectives*

for the negotiations on agriculture in the Uruguay round.

18 We reaffirm our commitment to the important agreement on agriculture set out in the OECD ministerial communiqué of 13 May 1987; in particular, the statement of the scope and urgency of the problem which require that a concerted reform of agricultural policies be implemented in a balanced and flexible manner; the assessment of the grave implications, for developed and developing countries alike, of the growing imbalances in supply of and demand for the main agricultural products; the acknowledgment of shared responsibility for the problems as well as for their equitable, effective, and durable resolution; the principles of reform and the action required. The long-term objective is to allow market signals to influence the orientation of agricultural production, by way of a progressive and concerted reduction of agricultural support, as well as by all other appropriate means, giving consideration to social and other concerns, such as food security, environmental protection and overall employment.

19 We underscore our commitment to work in concert to achieve the necessary adjustments of agricultural policies, both at home and through comprehensive negotiations in the Uruguay round. In this as in other fields, we will table comprehensive proposals for negotiations in the coming months to be conducted in accordance with the mandate in the ministerial declaration, and we intend to review at our next meeting the progress achieved and the tasks that remain.

20 In the meantime, in order to create a climate of greater confidence which would enhance the prospect for rapid progress in the Uruguay round as a whole and as a step towards the long-term result to be expected from those negotiations, we have agreed, and call upon other countries to agree, to refrain from actions which, by further stimulating production of agricultural commodities in surplus, increasing protection or destabilising world markets, would worsen the negotiating climate and, more generally, damage trade relations.

Developing Countries and Debt

21 We attach particular importance to fostering stable economic progress in developing countries, with all their diverse situations and needs. The problems of many heavily indebted developing countries are a cause of economic and political concern and can be a threat to political stability in countries with democratic regimes. We salute the courageous efforts of many of these countries to achieve economic growth and stability.

22 We underline the continuing importance of official development assistance and welcome the increased efforts of some of our countries in this respect. We recall the target already established by international organisations (0·7 per cent) for the future level of official development assistance and we take note that overall financial flows are important to development. We strongly support the activities of international financial institutions, including those regional development banks which foster policy reforms by borrowers and finance their programmes of structural adjustment. In particular: we support the central role of the IMF through its advice and financing and encourage closer co-operation between the IMF and the World Bank, especially in their structural adjustment lending; we note with satisfaction the contribution made by the eighth replenishment of the International Development Association (IDA); we support a general capital increase of the World Bank when justified by increased demand for quality lending, by its expanded role in the debt strategy and by the necessity to maintain the financial stability of the institution; in the light of the different contributions of our countries to official development assistance, we welcome the recent initiative of the Japanese Government in bringing forward a new scheme which will increase the provision of resources from Japan to developing countries.

23 For the major middle-income debtors, we continue to support the present growth-oriented case-by-case strategy. Three elements are needed to strengthen the growth prospects of the debtor countries: the adoption of comprehensive macroeconomic and structural reforms by debtor countries themselves; the enhancement of lending by international financial institutions, in particular the World Bank; and adequate commercial bank lending in support of debtor country reforms. We shall play our part by helping to sustain growth and expand trade. A number of debt agreements have allowed some resumption of growth, correction of imbalances and significant progress in restoring the creditworthiness of some countries. But some still lack adequate policies for structural adjustment and growth designed to encourage the efficient use of domestic savings, the repatriation of flight capital, increased flows of foreign direct investment, and in particular reforms of financial markets.

24 There is equally a need for timely and effective mobilisation of lending by commercial banks. In this context, we support efforts by commercial banks and debtor countries to develop a 'menu' of alternative negotiating procedures and financing techniques for providing continuing support to debtor countries.

25 Measures should be taken, particularly by debtor countries, to facilitate non-debt-creating capital flows, especially direct investment. In this connection, the Multilateral Investment Guarantee Agency (MIGA) [see pp 145-6, 1986] *should begin to serve its objectives as soon as possible. It is important to maintain flexibility on the part of export credit agencies in promptly resuming or increasing cover for countries that are implementing comprehensive adjustment programmes.*

26 We recognise the problems of developing countries whose economies are solely or predominantly dependent on exports of primary commodities the prices of which are persistently depressed. It is important that the functioning of commodity markets should be improved, for example, through better information and greater transparency. Further diversification of these economies should be encouraged, with the help of the international financial institutions, through policies to support their efforts for improved processing of their products, to expand opportunities through market access liberalisation, and to strengthen the international environment for structural change.

27 We recognise that the problems of some of the poorest countries, primarily in sub-Saharan Africa, are uniquely difficult and need special treatment [see pp 154-5]. *These countries are characterised by such*

features as acute poverty, limited resources to invest in their own development, unmanageable debt burdens, heavy reliance on one or two commodities, and the fact that their debt is owed for the most part to governments of industrialised countries themselves or to international financial institutions. For those of the poorest countries that are undertaking adjustment effort, consideration should be given to the possibility of applying lower interest rates to their existing debt, and agreement should be reached, especially in the Paris club, on longer repayment and grace periods to ease the debt service burden. We welcome the various proposals made in this area by some of us and also the proposal by the managing director of the IMF for a significant increase in the resources of the structural adjustment facility over the three years from 1 January 1988. We urge a conclusion on discussions on these proposals within this year.

28 *We note that UNCTAD VII provides an opportunity for a discussion with developing countries with a view to arriving at a common perception of the major problems and policy issues in the world economy.*

Environment

29 *Further to our previous commitment to preserve a healthy environment and to pass it on to future generations, we welcome the report by the environment experts on the improvement and harmonisation of techniques and practices of environmental measurement. Accordingly, we encourage the United Nations Environment Programme (UNEP) to institute a forum for information exchange and consultation in co-operation with the International Organisation for Standardisation (ISO) and the International Council of Scientific Unions (ICSU), assisted by other interested international organisations and countries, so that continuing progress in this important field can be ensured. The priority environmental problems identified by the environment experts in their report should receive full attention.*

30 *We underline our own responsibility to encourage efforts to tackle effectively environmental problems of worldwide impact such as stratospheric ozone depletion, climate change, acid rains, endangered species, hazardous substances, air and water pollution, and destruction of tropical forests. We also intend to examine further environmental issues such as stringent environmental standards as an incentive for innovation and for the development of clean, cost-effective and low-resource technology as well as promotion of international trade in low-pollution products, low-polluting industrial plants and other environmental protection technologies.*

31 *We welcome the important progess achieved since Tokyo, particularly in the International Atomic Energy Agency, in enhancing effective international co-operation, with regard to safety in the management of nuclear energy.*

Other Issues

32 *We welcome the initiative of the human frontier science programme presented by Japan, which is aimed at promoting, through international co-operation, basic research on biological functions. We are grateful for the informal opportunities our scientists have had to take part in some of the discussions of the feasibility study undertaken by Japan. We note that this study will be continued and we would be pleased to be kept informed about its progress.*

33 *We welcome the positive contribution made by the conference of high level experts on the future role of education in our society, held in Kyoto in January 1987.*

34 *We shall continue to review the ethical implications of developments in the life sciences. Following the conferences sponsored by summit governments – by Japan in 1984, by France in 1985, by the Federal Republic of Germany in 1986 and by Canada in 1987 – we welcome the Italian Government's offer to host the next bioethics conference in Italy in April 1988.*

Next Economic Summit

35 *We have agreed to meet again next year and have accepted the invitation of the Canadian Prime Minister to meet in Canada.*

National Income and Expenditure 1986

Britain's economy grew by 2·6 per cent between 1985 and 1986, on the basis of provisional estimates of the average measure of gross domestic product. The figure was a little inflated by the effects of the coal industry dispute of 1984-85.

Provisional estimates of national income and expenditure for 1986 were published in the April issue of *Economic Trends*.[1]

Gross Domestic Product

The average measure of gross domestic product (GDP),[2] at constant factor cost and at constant prices,[3] increased by 2·6 per cent between 1985 and 1986; after allowing for the direct effects of the dispute in the coal industry (see pp 77-8, 1985) the rise was a little over 2 per cent. At current factor cost and at current prices, the increases were 6·5 per cent and around 6 per cent respectively.

Real income, as measured by gross national disposable income at constant market prices, grew by 2·2 per cent.

Personal Income and Saving

Total personal income, before deductions, rose by 8 per cent between 1985 and 1986. Consumers' expenditure increased by 8·6 per cent and the saving ratio fell from 11·4 per cent to 11 per cent. Personal

[1] *Economic Trends*. April 1987. Central Statistical Office. HMSO, £9·25. ISBN 0 11 620266 1.

[2] The average measure of GDP is calculated from the three conventional measures – those for expenditure, income and output. Although estimates for the three measures should, in theory, yield the same result, in practice there are often variations. For medium- or long-term comparisons, the average is the preferred measure. (The output measure is thought to be the best indicator for periods of up to about one year.)

[3] Figures in constant prices are in terms of 1980 prices.

disposable income grew by 8·1 per cent; with prices rising by around 3·5 per cent, the increase in real personal disposable income was 4·3 per cent.

Companies and Public Corporations

Profits of industrial and commercial companies (net of stock appreciation) were 7·4 per cent lower in 1986 than a year earlier, the fall being more than accounted for by the reduction in the profits of North Sea oil companies, which in 1986 were less than half their level in each of the previous two years. Other industrial and commercial companies recorded an increase of 14·4 per cent.

The gross trading surplus (net of stock appreciation) of public corporations rose by 22·9 per cent; however, comparisons between 1985 and 1986 are distorted by the privatisation of British Gas (see pp 25-7) as well as the coal industry dispute.

Government

Current receipts of central government increased by 3 per cent in 1986 and current expenditure by 4·5 per cent. Current receipts of local authorities grew by 8 per cent and current expenditure by 7 per cent.

Fixed Investment

Fixed investment, measured at constant prices, was 0·6 per cent higher in 1986 than a year earlier. This figure should be considered in the light of the phased reduction in first-year capital allowances announced in the 1984 Budget (see p 122, 1984); it is believed that investment brought forward led to a greater increase in 1985 than in 1986.

Overseas Direct Investment

Britain's direct investment holdings overseas amounted to some £76,000 million at the end of 1984 while other countries had direct investment holdings in Britain of about £38,000 million. Both figures were far in excess of the corresponding ones for 1981 (the year of the previous survey) but exact comparisons cannot be made because of differences in coverage.

Table 1

Outward Direct Investment by British Companies Analysed by Area

Book value of net assets at end of year[a] *£ million*

	1974	1978	1981	1984
Western Europe	**2,867**	**5,957**	**6,612**	**18,684**
European Community	2,494	4,926	5,910	15,949
Belgium and Luxembourg	325	681	529	1,234
Denmark	72	142	145	475
France	461	823	1,064	1,896
Federal Republic of Germany	669	1,465	1,510	2,872
Greece	8	20	30	72
Irish Republic	312	594	735	906
Italy	199	282	384	566
Netherlands	245	583	1,098	7,240
Portugal	52	66	95	145
Spain	152	269	321	542
European Free Trade Association	325	961	596	2,601
Austria	81	130	64	241
Finland	14	*na*	*na*	44
Iceland	—	*na*	*na*	*na*
Norway	23	31	50	521
Sweden	94	169	157	462
Switzerland	113	607	287	1,334
Other	48	71	106	135
North America	**2,272**	**4,815**	**9,884**	**31,476**
Canada	941	1,256	1,905	5,150
United States	1,331	3,559	7,979	26,326
Other developed countries	**3,138**	**4,442**	**5,824**	**11,650**
Australia	1,917	2,613	3,535	7,629
Japan	40	112	187	629
New Zealand	184	*na*	315	668
South Africa	997	*na*	1,787	2,725
Rest of the world	**2,159**	**3,894**	**6,226**	**13,905**
World	**10,436**	**19,108**	**28,545**	**75,715**

[a]Figures up to and including 1981 exclude oil, banking and insurance companies.
Note: Differences between totals and the sums of their component parts are due to rounding.
na = not available.

Table 2

Inward Direct Investment in Britain by Overseas Companies Analysed by Area

Book value of net assets at end of year[a] *£ million*

	1974	1978	1981	1984
Western Europe	**1,882**	**3,259**	**4,528**	**14,389**
European Community	1,120	2,037	2,607	11,436
Belgium and Luxembourg	210	371	343	677
Denmark	64	82	155	284
France	186	493	575	1,782
Federal Republic of Germany	168	262	627	939
Greece	—	—	—	*na*
Irish Republic	28	84	76	152
Italy	114	129	72	136
Netherlands	337	615	738	7,392
Portugal	—	—	—	*na*
Spain	12	2	21	67
European Free Trade Association	760	1,222	1,922	2,942
Austria	5	*na*	171	34
Finland	54	78	*na*	150
Norway	33	*na*	*na*	321
Sweden	166	299	471	604
Switzerland	502	789	1,225	1,833
Other	3	—	—	11
North America	**4,070**	**7,106**	**10,451**	**20,703**
Canada	404	638	892	1,012
United States	3,666	6,468	9,559	19,691
Other developed countries	**303**	**501**	**1,152**	**1,438**
Australia	60	173	330	377
Japan	−18	−24	324	659
New Zealand	11	18	25	30
South Africa	250	333	473	372
Rest of the world	**312**	**233**	**831**	**1,947**
World	**6,567**	**11,098**	**16,962**	**38,476**

[a]Figures up to and including 1981 exclude oil, banking and insurance companies.
Note: Differences between totals and the sums of their component parts are due to rounding.
na = not available.

The 22 May issue of *British business* contains an article on the results of an inquiry into overseas direct investment[1] involving Britain in the period up to 1984. Assets are measured at book value (usually the price paid when acquired which, at times of inflation, may be far below the market value or replacement cost). Since the time of the 1981 inquiry (see pp 133-5, 1984) the coverage has been extended to include oil, banking and insurance companies. A small amount of miscellaneous transactions (mainly relating to property) is excluded from the figures.

Outward Net Direct Investment

At the end of 1984 Britain's net direct investment overseas totalled almost £76,000 million (see Table 1), which, even after allowing for changes in coverage, represented a sharp increase since 1981. Part of the rise was the result of a fall in the sterling exchange rate, which meant an increase in the sterling value of foreign-currency assets.

Twenty-five per cent of the total was in Western Europe (21 per cent in the European Community) and 42 per cent in North America (35 per cent in the United States). Developed countries accounted for 82 per cent.

By sector, manufacturing was responsible for 28 per cent. Oil companies accounted for 32 per cent, insurance companies for 7 per cent and banks for 1 per cent.

Inward Net Direct Investment

Net direct investment in Britain amounted to over £38,000 million at the end of 1984 (see Table 2). Thirty-seven per cent of this was from Western Europe (30 per cent from the European Community) and 54 per cent from North America (51 per cent from the United States). Developed countries were even more dominant than for outward investment, accounting for 95 per cent of the total.

By sector, 41 per cent was in manufacturing. Oil companies accounted for 34 per cent, insurance companies for 2 per cent and banks for 8 per cent.

[1]Direct investment overseas consists of long- and short-term funds given by investors in one country to overseas affiliates (subsidiaries, associates and branches) in the form of share capital, loans, trade credit and retained profits. It is measured net after deducting loans made by the affiliates to their direct investors.

Progress in Deregulation

The Government has published a further report on the progress of its campaign to lessen the regulatory burdens on business. Important initiatives are under way in value added taxation, planning controls, the legal status of businesses, the streamlining of business licences, and co-operation within the European Community.

The report,[1] published in May as the third in a series (see pp 272-3, 1985 and 194-5, 1986), reaffirms the Government's commitment to encouraging enterprise through deregulation. It emphasises the importance of striving for better regulation as well as less regulation, in particular by developing more responsive communication between government and business.

Administrative Arrangements

Arrangements have been set up across government to implement the deregulation campaign. A central Enterprise and Deregulation Unit, within the Department of Employment, is complemented by deregulation units within most major government departments. A fundamental instrument of the campaign is an agreed set of procedures for assessing the costs to business of new departmental proposals. These 'compliance cost assessments' comprise a 17-point checklist, and each departmental deregulation unit is required to prepare an assessment for any new proposal affecting business coming from its department. A review of the system, conducted since the publication of the last deregulation report, shows the need for the early use of these assessments to inform departments in their consultations with businesses and in their decision-making. The review also suggested the need for more use of 'forward looks', to be carried out by departments every six months, which would consider the whole range of prospective regulations and help departments to identify their deregulation priorities and monitor progress. The Government has also decided that, as one way of improving communications between departments and businesses, the compliance cost assessments should be published.

Other measures to improve such communication include a proposal to produce a guide to assist civil servants in their consultations with business, and the continuation of the campaigns to simplify and minimise form-filling and to produce simpler guidance material for businessmen. The report notes that there are now form-design units in most government departments; over 2,000 forms have been abolished since 1982 and a further 3,350 have been simplified, including the annual income-tax reporting form, the application form for regional selective assistance to industry, and the licensing form for employment agencies. Efforts are continuing to simplify licence material, by reducing the amount of legal language and of official jargon, and departments are encouraged to consider the opportunities for bringing related guidance material together in convenient packages for businessmen. In addition departments are developing training schemes which will give actual business experience to civil servants engaged in the enforcement of regulations.

The European Community

The report notes the setting up by the European Commission of a task force on small and medium-sized enterprises. The Enterprise and Deregulation Unit is liaising with this task force, one of whose duties is to assess the impact of Community law on business. Since June 1986, every legislative proposal made by the Commission has had to be accompanied by a document assessing the cost to business of complying with it. The task force is also responsible for reporting to the Council of Ministers on a study which has been undertaken of the effects of existing European legislation on businesses.

Progress by Departments

The report describes numerous examples of the progress which government departments are making to lessen the burden of regulation on business in Britain. Some of the more significant examples are outlined here.

A review of the impact of value added tax on small firms was begun in October 1986. As a result, it is proposed to introduce a cash accounting scheme from October 1987 under which businesses will not have to account for value added tax until they are paid by their customers, and will not reclaim any tax until they have paid their suppliers. The scheme is expected to reduce administrative burdens and bad debt relief will be given automatically. It is also proposed to introduce in 1988 a scheme by means of which small businesses can spread their tax burden by making ten monthly payments of tax a year: the first nine would all be for the same amount and would be calculated on the basis of previous returns; the last payment would be to settle the balance.

Under the Housing and Planning Act 1986 (see pp 101-2, 1986), action is being taken under the new powers to introduce simplified planning zones. In another area of planning a new regulation was made in May which aims to allow more flexible use of business premises. It permits a wider range of changes of use to be made without any further requirement for planning permission, and introduces a number of new classes of business premises. It is also proposed to assist firms, such as small high-technology businesses, by allowing them, in cases where their premises are already approved for more than one kind of business activity, to switch between the approved uses without applying for further authorisation. New regulations came into force in May which enable the Government to set time limits for planning appeals in cases where representations are made in written form, and to ignore representations made after the date specified. It is also proposed to take steps to speed up the progress of planning appeals which involve inquiries.

In the employment field, a study is being undertaken of the effects of regulations on the self-employed. In the first stage, completed in September 1986, the various factors were identified, and in the second stage, which was completed in May, a range of weightings were attached to the factors. Departments are now considering the implications for future action. Since February 1987 all discrimination between men and women regarding hours of work has been removed, under the Sex Discrimination Act 1986 (see

[1] *Encouraging Enterprise: a progress report on deregulation.* Available, unpriced, from the Enterprise and Deregulation Unit, Caxton House, Tothill Street, London SW1H 9NF.

p 199, 1986), with the sole exception of nightwork, where there are still restrictions which are required by the European Social Charter. The Wages Act 1986 (see pp 90-1, 1986) entitled employers to pay manual workers in non-cash form, making it possible to move towards more convenient payment systems.

Consultations have been carried out on simpler procedures for companies when filing annual accounts and returns with company registration offices, and a policy decision is expected in the summer of this year. Measures are also under way to simplify the form and content of such returns for small companies. It is proposed to publish a consultative document on 'disincorporation' – that is, the changeover by a business from having company status to becoming a partnership or a sole trader. Generally speaking there is no provision for such a move under existing law, and the Government considers that it would be beneficial to a range of enterprises if they could choose on purely commercial grounds the form in which they wished to trade.

The report also discusses the progress that has been made in reviewing some 40 business licensing arrangements operated by various departments. Among the reforms being implemented are the extension of permits for certain traders to a three-yearly instead of an annual basis, and the reduction of delay in obtaining permits through computerisation or through simplification of the requirements.

Rolls-Royce Privatisation

Following its flotation of British Airways in January (see pp 98-9), the Government has privatised Britain's major aero-engine manufacturer, Rolls-Royce.

The flotation of Rolls-Royce took place as a part of the Government's privatisation programme (for further information see COI reference paper *Britain's Privatisation Policy*, No 245/87).

Products

Rolls-Royce's engine business (80 per cent of its turnover) is divided almost equally between civilian and military applications. On the civil side it is one of only three companies in the West producing propfan (jet) engines for the world's largest airliners. Variants of the quiet and fuel-efficient RB211-524 and -535 series propfans are fitted to Boeing's 747 and 757 aircraft and a new, more powerful, version, the RB211-524D4D, at present undergoing testing, has recently been chosen for the American company's long-range 'jumbo-jet' 747-400 airliner, which is due to enter service in 1989. Rolls-Royce also supplies a number of smaller engines, including the successful Tay series propfans to, among others, the German Fokker company. In the military sector its main products are the Pegasus vectored-thrust engine for the Harrier 'jump-jet' and the RB199, developed with the German MTU and Italian Fiat Aviazione companies and used in the Tornado fighter aircraft. Rolls-Royce also produces engines for helicopters, ships and a variety of industrial uses and is involved in nuclear submarine propulsion.

Finance

In 1971 Rolls-Royce was taken into public ownership after a financial collapse, which resulted from the escalating cost of developing the first versions of the RB211. Since then the Government has made substantial investment in Rolls-Royce, both by writing off various debts and by giving 'Launch Aid' to certain projects. [Under this scheme the Government funds part of the development costs of an aerospace product and is paid a return on its investment only when the item reaches the market.]

Over the past three years Rolls-Royce has steadily increased its profits to a record £120 million in 1986. Turnover in 1986 was 12·5 per cent up on the previous year at £1,802 million, nearly all the increase being attributable to the civilian side of the business. The company also had more than £3,000 million worth of orders on its books at the end of 1986. Labour productivity has risen by about 50 per cent over the past five years, mainly due to reductions in the workforce and investment in advanced manufacturing techniques. In addition the company spent £255 million on research and development in 1986 (including government assistance), or 14 per cent of its sales turnover. The then Secretary of State for Trade and Industry, Mr Paul Channon, in launching Rolls-Royce's prospectus, said: 'Rolls-Royce is a symbol of excellence. . . . The company competes extensively and effectively in a great number of markets.'

Structure and Policy

Both Rolls-Royce management and the Government are confident that the firm is now strong enough to compete in the private sector and will benefit from the greater freedom of operation it will find there. Rolls-Royce is no longer as dependent on one product (the RB211) as it was in 1971. Even if world demand for aero-engines themselves began to contract, the company could now fall back on its £500 million a year spare parts business, which tends to expand when sales of new engines decline. Rolls-Royce also spreads its research costs in several ways. By designing engines in modules the company ensures that they can be developed and improved without having to redesign the basic core. Examples of this philosophy are the now very successful RB211 family, with power outputs ranging from 37,000 to 58,000 lbs thrust (and a more powerful version under consideration) and the RTM322 engine being developed jointly with Turboméca of France, which it is planned to use in both helicopters and turboprop aircraft. The latter project also typifies Rolls-Royce's commitment to spreading research costs by developing new engines in collaboration with overseas manufacturers. The International Aero Engine consortium, which is developing the V-2500 propfan for the Airbus A320, involves Rolls-Royce in working with the American firm Pratt and Witney. The British company has also managed to reduce its development costs by use of computer-aided design.

The Share Offer

From 30 April to 7 May 1987 the Government offered for sale its 635 million shares in Rolls-Royce plus another 166·5 million issued to compensate the Government for its cancellation of Rolls-Royce's £283 million debt. A total of 801·5 million shares of 20p each were offered at £1·70 each, with half the price

being payable on application and half by 23 September. Of these shares 394·8 million (49 per cent) were allocated to institutions and the rest to the general public and to employees and pensioners of Rolls-Royce, who together applied for more than nine times the number of shares offered to them.

Employees and pensioners were entitled to a quantity of free shares which varied according to their length of service with the company and to the extent of any further applications for shares (on which they were able to obtain discounts of between 5 and 10 per cent). In the event 43,700 employees and pensioners applied for more than 77·2 million shares on a priority basis.

Nearly 2 million members of the general public applied for over 3,000 million shares. Valid applications were satisfied in the following proportions:

Number of shares applied for	Number of shares allocated
400 – 1,000	150
1,500 – 2,000	200
3,000 – 5,000	250
6,000 – 7,000	300
8,000 – 10,000	350
15,000	425
20,000 – 100,000	2·5 per cent of the number applied for

No allocation was made in respect of applications in excess of 100,000 shares.

In view of Rolls-Royce's extensive interests in the defence sector the Government has made a number of changes to the company's Articles of Association to ensure that it remains under British control. The shares were not offered overseas and no more than 15 per cent of them may be held by overseas investors. In fact only about 5 per cent of the allocations went to overseas nationals or institutions. The Government also retains a 'special share' in Rolls-Royce, which it can use to prevent any transfer of more than 25 per cent of the firm's assets or of its nuclear interests. In addition no single investor was allowed to subscribe for more than 10 per cent of the shares and individual holdings will be limited to 15 per cent of the total equity until the end of 1988. The chairman, managing director and 75 per cent of the board of directors must be British citizens.

Oil and Gas

Despite problems caused by a weak world oil market and falling prices, Britain's oil production fell by only 0·4 per cent in 1986, according to the Department of Energy's 1987 review of oil and gas development, published on 7 May,[1] while gas production rose by 5·5 per cent. The British offshore supplies industry won orders worth £1,800 million.

[1]*Development of the Oil and Gas Resources of the United Kingdom.* HMSO, £11. ISBN 0 11 412826 X.

ANNUAL REVIEW

Oil and Gas Production

Britain's total oil production declined slightly from 127·5 million tonnes in 1985 to 127 million tonnes in 1986. This latter figure included 5·1 million tonnes of heavier natural gases, 0·7 million tonnes of condensate and 0·5 million tonnes of onshore crude oil (of which 0·3 million tonnes were produced from the Wytch Farm field and the remainder from minor fields in the East Midlands, Hampshire and Dorset). Two new offshore oilfields came onstream in 1986, bringing the total number in production to 32 (see Table 1). In 1986 gas produced from the United Kingdom Continental Shelf (UKCS) amounted to 45,290 million cubic metres,[1] as compared with 42,937 million cubic metres in 1985 (see Table 2). Supplies of UKCS gas to British Gas accounted for 76 per cent of its total supplies (UKCS production plus imports). Three new offshore gasfields came onstream in 1986, bringing the number in production to 17.

Exploration and Development

During 1986, 73 exploration and 40 appraisal wells were started. As in 1985, the mature provinces of the northern North Sea accounted for about 90 per cent of this drilling activity.

Fourteen offshore discoveries were announced in 1986: five of oil, one of oil and gas, seven of gas and one of gas and condensate. Onshore exploration drilling was at a record level in 1986, when 37 exploration and 18 appraisal wells were started and six discoveries made: five in the East Midlands and one in southern England.

Seven offshore oilfields, six offshore gasfields and one onshore oilfield were under development on the UKCS at the end of 1986, and 49 oil and 36 gas development wells were started during the year.

Reserves

The estimate of proven plus probable initially recoverable oil reserves in present discoveries has been increased from 2,060 million tonnes in 1985 to 2,280 million tonnes in 1986, mainly as a result of reclassification as 'proven' of reserves previously designated 'possible' and 'probable'. There have also been increases in the reserves of certain onshore fields. Possible reserves have grown by some 70 million tonnes, so that the maximum total is 3,000 million tonnes. After taking account of cumulative oil production to the end of 1986 – 952 million tonnes – remaining recoverable oil reserves in present discoveries are estimated to be in the range of 710-2,050 million tonnes.

Proven plus probable plus possible initially recoverable gas reserves in present discoveries now stand at 2·594 million million cubic metres, compared with 2·551 million million cubic metres in 1985. Proven plus probable reserves have increased from 1·778 to 1·903 million million cubic metres. After deducting cumulative gas production to the end of 1986 of 578,000 million cubic metres, remaining recoverable gas reserves in present discoveries are estimated at 634,000 million to 2·016 million million cubic metres.

Forecasting of oil and gas reserves yet to be found, warns the report, is subject to greater uncertainty than

[1]1 cubic metre = 35·31 cubic feet.

calculation of estimates of reserves that have been discovered. Detailed assessments, however, have been done for the northern and central North Sea; the Southern Basin and Irish Sea; and the East Midlands and south-east England. Estimates for undiscovered oil lie in the range of 300-2,390 million tonnes, compared with 295-2,235 million tonnes in 1985. For undiscovered gas, associated gas (that is, associated with oil accumulations) and condensate, the estimated range is 175,000-820,000 million cubic metres, compared with 220,000-835,000 million cubic metres in 1985.

Economic and Industrial Aspects

In 1986 UKCS oil and gas production accounted for about 2 per cent of Britain's gross national product at factor cost. Total revenue from the sale of oil and gas produced from the UKCS in 1986 is estimated to have been £9,300 million and £1,900 million respectively. Tax and royalty receipts attributable to UKCS oil and gas are estimated to have been £4,800 million in 1986-87 (see Table 3).

Gross capital investment in the mineral oil and natural gas extraction industry (including investment by drilling and other contractors providing services to the industry) is estimated at some £2,500 million in 1986, about 17 per cent of British industrial investment and 4 per cent of gross domestic fixed capital formation. Total investment between 1965 and 1986 is estimated to have been about £31,000 million (£44,000 million at 1986 prices). Some 22,300 people were employed offshore in September 1986.

Table 1

Oil Production

million tonnes

Offshore fields	1981	1982	1983	1984	1985	1986
Argyll	0·5	1·0	0·7	0·4	0·4	0·5
Auk	0·6	0·6	0·6	0·6	0·5	0·5
Balmoral	—	—	—	—	—	†
Beatrice	0·2	1·6	1·5	2·2	2·5	2·0
Beryl	4·7	4·4	3·8	4·3	4·9	4·6
South Brae	—	—	1·0	3·9	4·1	5·1
Brent	11·1	15·2	18·7	20·0	20·0	19·5
Buchan	0·9	1·4	1·6	1·1	0·9	1·1
Claymore	4·5	4·8	4·7	5·0	4·3	3·9
North Cormorant	—	1·3	2·1	4·4	5·0	5·0
South Cormorant	0·7	0·9	1·5	1·7	2·0	2·2
Deveron	—	—	0·1	0·1	0·3	0·3
Duncan	—	—	0·1	0·6	0·7	0·4
Dunlin	4·7	3·9	3·5	3·1	2·5	2·0
Forties	22·8	22·2	21·7	20·3	18·4	16·5
Fulmar	—	2·6	5·7	6·0	5·2	7·5
Heather	1·2	1·7	1·3	1·2	1·1	1·0
Highlander	—	—	—	—	1·0	1·3
Hutton	—	—	—	1·3	2·8	3·8
North-West Hutton	—	—	1·9	2·4	2·2	2·3
Innes	—	—	—	—	0·2	0·2
Magnus	—	—	1·5	5·6	6·0	6·0
Maureen	—	—	0·8	3·8	3·8	3·6
Montrose	1·1	0·9	0·7	0·8	0·6	0·6
Murchison (UK)	3·1	4·4	4·5	2·9	3·1	2·8
Ninian	14·3	15·0	13·7	11·6	10·9	9·7
Petronella	—	—	—	—	—	†
Piper	9·8	9·8	9·6	8·9	9·0	8·4
Scapa	—	—	—	—	0·2	0·4
Statfjord (UK)	1·2	1·8	3·0	3·5	4·5	5·4
Tartan	0·7	0·6	1·1	1·2	1·2	1·0
Thistle	5·5	6·0	5·1	4·2	3·6	3·0
Crude oil from offshore fields*	87·7	100·1	110·5	120·8	122·0	120·7
Crude oil from onshore fields*	0·2	0·2	0·3	0·3	0·4	0·5
Liquefied products from oil and gasfields:						
Condensate	0·4	0·5	0·6	0·6	0·7	0·7
Heavier natural gases	1·2	2·4	3·5	4·1	4·4	5·1
Total production	89·5	103·2	114·9	125·9	127·5	127·0

*Includes condensates and residual dissolved gases present in the disposal of stabilised crude oil by the industry.
†Less than 50,000 tonnes.
Note: Differences between totals and the sums of their component parts are due to rounding.

Table 2

Gas Production *million cubic metres*

	1981	1982	1983	1984	1985	1986
West Sole	1,455	1,512	1,719	1,899	1,771	1,696
Leman	13,207	11,675	11,985	9,376	10,943	10,030
Hewett Area	5,048	4,108	3,851	3,631	3,412	3,337
Indefatigable	5,613	5,720	4,700	5,590	5,323	6,186
Victor	—	—	—	472	1,485	1,598
Viking Area	3,307	4,381	3,413	3,197	3,448	3,713
Rough	99	101	27	55	93	7
Frigg	6,790	6,087	6,063	6,167	6,240	5,720
Piper/Tartan area*	569	667	848	796	786	777
FLAGS†	—	2,144	4,277	5,271	6,139	6,557
Fulmar	—	—	—	—	—	197
South Morecambe	—	—	—	—	91	605
Esmond	—	—	—	—	591	971
Forbes	—	—	—	—	107	305
Gordon	—	—	—	—	177	529
Thames	—	—	—	—	—	351
North and South Sean	—	—	—	—	—	201
Other offshore gas‡	1,098	1,437	1,807	2,066	2,331	2,510
Onshore gas	6	9	10	9	10	20
Total	37,192	37,841	38,700	38,529	42,947	45,310

*Gas used offshore or delivered to land via the Frigg pipeline system.
†Gas delivered to land via the FLAG system gas pipeline.
‡Associated gas produced and used mainly on Northern Basin oil production platforms.

Table 3

Taxes and Royalties attributable to UKCS Oil and Gas *£ million*

	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87 (provisional)
Royalties	1,396	1,632	1,904	2,426	2,057	900
Supplementary petroleum duty*	2,025	2,395	—	—	—	—
Petroleum revenue tax†	2,390	3,274	6,017	7,177	6,375	1,300
Corporation tax						
Before advance corporation tax (ACT) set-off	681	521	877	2,427	2,923	2,700
ACT set-off	270	202	430	1,239	1,092	1,100
Mainstream corporation tax	411	319	447	1,188	1,831	1,600
Total	6,492	7,822	8,798	12,030	11,360	4,800

*Abolished at the end of 1982.
†Includes advance petroleum revenue tax.
Note: Differences between totals and the sums of their component parts are due to rounding.

Table 4

Britain's Primary Fuel Consumption compared with Oil and Gas Production *million tonnes of oil or oil equivalent*

	1981	1982	1983	1984	1985	1986 (provisional)
Primary fuel consumption:						
Coal	69·6	65·1	65·6	46·5	62·0	67·1
Petroleum	74·8	75·5	72·4	89·9	78·3	77·4
Natural gas	42·4	42·2	44·0	45·0	48·4	49·1
Nuclear electricity	8·1	9·4	10·6	11·5	13·0	12·6
Hydro electricity	1·3	1·4	1·4	1·2	1·3	1·4
Total	196·2	193·6	194·0	194·1	203·0	208·6
Oil production	89·5	103·2	114·9	125·9	127·5	127·0
Gas production	32·4	33·0	34·0	33·2	37·1	38·9

Note: Differences between totals and the sums of their component parts are due to rounding.

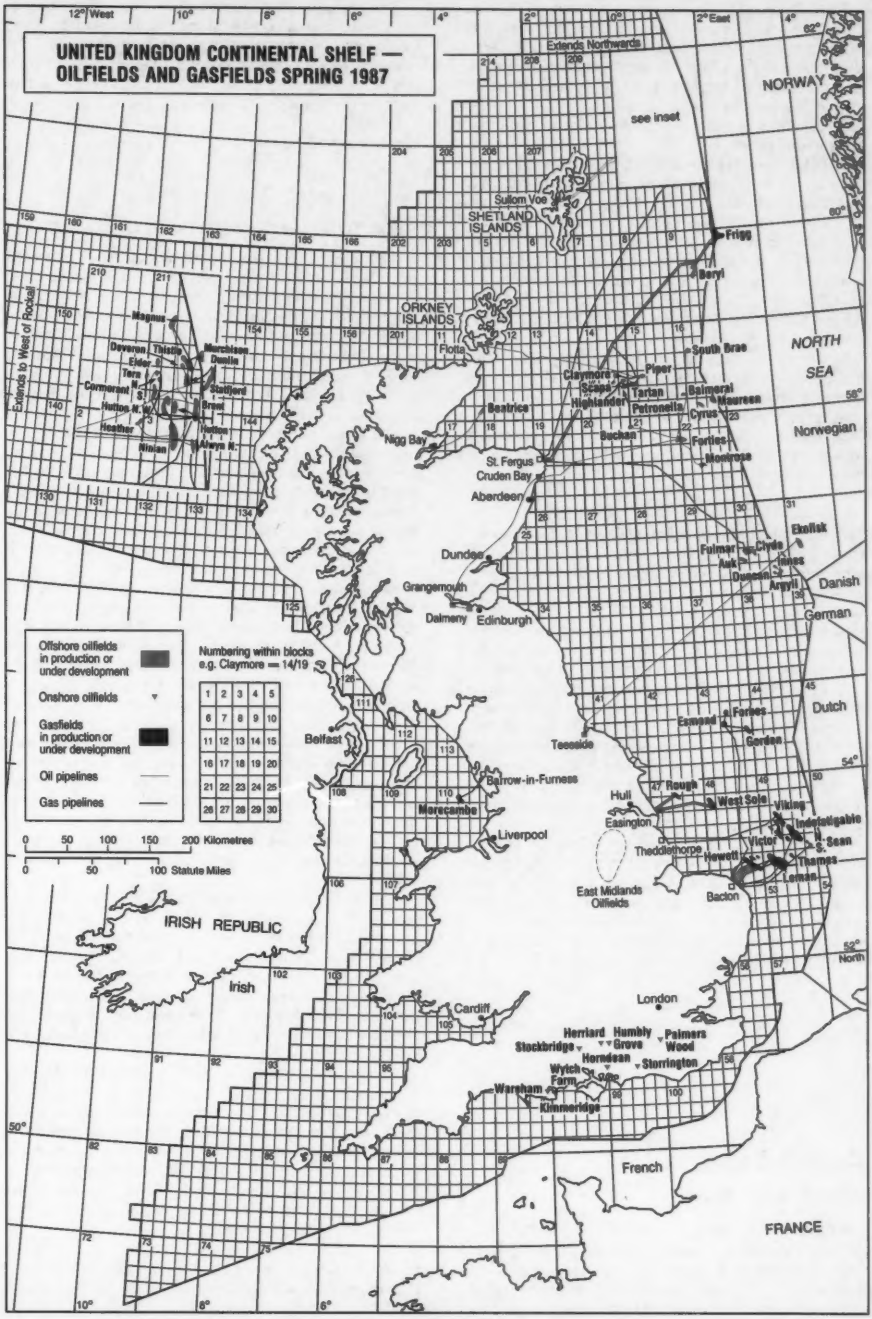
UNITED KINGDOM CONTINENTAL SHELF — OILFIELDS AND GASFIELDS SPRING 1987
Extends Northwards
see inset
NORWAY
SHETLAND ISLANDS
Sullom Voe
Frigg
Beryl
ORKNEY ISLANDS
Flotta
NORTH SEA
Norwegian
Danish
German
Dutch
Extends to West of Rockall
Magnus
Thistle
Deveron
Elder
Tern
Cormorant N
Cormorant S
Heather
Hutton N
Hutton
Murchison
Dunlin
Statfjord
Brent
Alwyn N.
Ninian
Claymore
Piper
Tartan
Highlander
Flotta
Beatrice
Nigg Bay
South Brae
Balmoral
Maureen
Petronella
Cyrus
Buchan
Forties
Montrose
St. Fergus
Cruden Bay
Aberdeen
Dundee
Grangemouth
Dalmeny
Edinburgh
Ekofisk
Fulmar
Auk
Clyde
Innes
Duncan
Argyll
Esmond
Forbes
Gordon
Belfast
Teesside
Barrow-in-Furness
Morecambe
Liverpool
Hull
Rough
West Sole
Viking
Indefatigable
Easington
Victor
Sean
Theddlethorpe
Hewett
Thames
Leman
East Midlands Oilfields
Bacton
IRISH REPUBLIC
Irish
Cardiff
London
Herriard
Humbly Grove
Palmers Wood
Stockbridge
Horndean
Storrington
Wytch Farm
Wareham
Kimmeridge
French
FRANCE
Offshore oilfields in production or under development
Onshore oilfields
Gasfields in production or under development
Oil pipelines
Gas pipelines
Numbering within blocks e.g. Claymore — 14/19
0 50 100 150 200 Kilometres
0 50 100 Statute Miles

Table 4 shows the relationship between oil and gas production and primary fuel consumption. Britain's production of oil and gas in 1986 corresponded to about 61 per cent and 19 per cent of total primary fuel consumption respectively. Oil production, at 127 million tonnes, exceeded consumption (77 million tonnes), and there was a substantial export and import trade in crude oil.

In 1986 the total value of orders reported by operators for oil and gas development work on the UKCS was £2,230 million, of which the British share was £1,834 million (82 per cent), the largest share ever won by the British offshore supplies industry. The drop in oil prices created some uncertainty in oil companies' investment plans, resulting in a decrease in the value of orders placed with the industry. Total investment involved in projects approved in 1986 (see above) is more than £2,000 million.

As a result of the Gas Act 1986 (see p 252, 1986, and pp 25-7), British Gas plc in its upstream operations will be subject to the same controls and restrictions as all other UKCS operators. The Petroleum Act 1987 (see pp 391-2, 1986, and p 120) provides for an effective abandonment regime for disused offshore installations and pipelines.

Licensing

Details of the conditional licence awards for 51 blocks in the tenth round of offshore licensing were announced by the then Minister of State for Energy, Mr Alick Buchanan-Smith, in the House of Commons on 13 May (*Hansard*, Vol 116, No 109, written answers, cols 256-7). He said that the licence awards would ensure continuity in exploration work and provide 'potential for development of . . . oil and gas discoveries in the 1990s to replace existing fields as they become depleted'. Seismic and drilling programmes will exploit new exploration techniques and licence-holders have undertaken to drill a higher average number of wells per block than in the ninth round. The blocks lie in the northern North Sea, the Rockall Trough and Moray Firth area, and in the central and southern North Sea.

In March 1986, 75 new-style exploration licences were awarded under the first onshore round of licensing, adding to 20 already granted. Seven more were awarded in December 1986. At the end of 1986, 297 petroleum licences of various kinds covered 61,779 sq km (23,853 sq miles), compared with 239 covering 52,967 sq km (20,450 sq miles) a year earlier.

Shorter Notes

FINANCE ACT 1987

The Finance Act 1987 received the Royal Assent on 15 May. Following the announcement that a general election would take place on 11 June (see p187), a number of tax proposals (see pp 131-3) were dropped from the original Bill published on 8 April.

The main deletions concerned Lloyd's Reinsurance to Close, capital gains of companies and building societies, personal pensions, profit-related pay, 'Pay and File' for corporation tax and inheritance tax involving certain kinds of trust. The cut in the basic rate of income tax from 29 to 27 per cent is retained, however.

Source: HM Treasury.

SECURITIES AND INVESTMENTS BOARD

A delegation Order was signed by the then Parliamentary Under-Secretary of State for Corporate and Consumer Affairs, Mr Michael Howard, on 18 May which transferred to the Securities and Investments Board (SIB) most of the powers which can be transferred to it by the Secretary of State for Trade and Industry under the Financial Services Act 1986 (see pp 51-4 and 151-2, 1986). The signing followed parliamentary approval of the Order on 7 May.

The SIB is part of a new regulatory structure for the investments industry which aims to balance the need for a greater statutory element in regulation with the need to retain the advantages of regulation by market-based practitioners, which reside in the greater speed and flexibility with which they can act. The Act provides that investment businesses must be authorised (although the provision has not yet been implemented). The highest powers to authorise and regulate investment businesses are held by the Secretary of State, but, under the Act, they can be transferred to the SIB. (They can also be resumed by the Secretary of State, if the SIB fails to continue to meet criteria specified in the Act.) The SIB, in turn, is empowered to recognise membership of an approved 'Self-Regulating Organisation' (SRO) as sufficient proof that an investment business is fit to be authorised and to trade. Both the SIB, which is a private limited company with members appointed by the Secretary of State and the Governor of the Bank of England, and the SROs, which are expected to be appointed from among the professional governing bodies of the main branches of the investments industry, are practitioner-based.

The transfer of powers to the SIB – including the powers to make rules, recognise SROs, charge fees and obtain information – represents the Secretary of State's decision that the SIB's own rule-book conforms to the criteria laid down in the Act, and is the culmination of examination of the SIB's rules – by both the Department of Trade and Industry and the Director General of Fair Trading – which has lasted for several months.

The next stages in the implementation of the Act will be, first, the submission of applications for recognition from the SROs (of which there are expected to be five), and then the submission of applications from investment businesses for authorisation. (The majority of businesses will approach SROs for authorisation, but some will go directly to the SIB.) The final step will be the issue of an Order requiring investment businesses to be authorised.

Sources: *Hansard,* Vol 115, No 103, cols 903-7, and Department of Trade and Industry press notice, 18.5.87.

TAKEOVER PANEL

The Government has concluded its review of the regulatory powers of the Takeover Panel (see p 68), and has identified a number of ways in which these powers can be strengthened. In particular it is proposed to draw on the arrangements for investment businesses established by the Financial Services Act 1986 (see pp 51-4, 1986) both to increase the sanctions available to the Panel and to improve its investigative powers. It is also proposed to issue a consultative document putting forward suggestions for new regulations about undisclosed share dealings by parties to takeover bids; and to make certain changes to the staffing of the Panel.

The Panel (properly known as the City Panel on Takeovers and Mergers) is a voluntary body set up in the late 1960s by London's financial services community. The review contains no proposals that would affect its non-statutory basis. Concern about breaches of the Panel's takeover code – and about possible offences under company law – lay behind the decision to conduct the review. Those taking part in it were the Department of Trade and Industry, the Treasury, the Bank of England, the Securities and Investments Board (SIB – see p 214), the Stock Exchange, and the Panel itself.

The measures identified in the review were announced in a written answer in the House of Commons on 11 May by the then Secretary of State for Trade and Industry, Mr Paul Channon.

The SIB and the recognised Self-Regulating Organisations (SROs) that are to be set up under the Financial Services Act will be able to use their sanctions against investment businesses that break the takeover code. These include the power to ban a business from taking part in certain financial activities. Recognised investment exchanges are to be encouraged to require their member firms to comply with the code; the Stock Exchange should consider how it can assist the Panel through its rules on listings on the Exchange; and the SIB and SROs are asked to require investment businesses not to act for people or companies where there is some evidence that they may not comply with the code.

Investment businesses should also be required to co-operate with the Panel in its inquiries and investigations, and the Secretary of State for Trade and Industry and the SIB will use their statutory investigative powers in relation to breaches of the code. The Government has made an Order adding the Takeover Panel to the regulatory bodies that are allowed to receive confidential regulatory information under the Financial Services Act.

Possible tightening up of the law on takeovers is also to be considered. In particular ways of making it difficult for takeovers to be affected by voting on the part of shareholders whose real identity is not known will be studied. It is envisaged that it may be necessary to place restrictions on dealings in shares by the parties to a takeover bid, even where the proper disclosures on share ownership are made.

Finally Mr Channon announced that, following the appointment of a new chairman and two deputy chairmen to the Panel, its membership would be enlarged by the appointment by the Governor of the Bank of England of a further independent member, and by the appointment of representatives of the Securities Association (see pp 332-3, 1986) and of the Investment Management Regulatory Organisation. Both these bodies are expected to be recognised as SROs by the SIB under the Financial Services Act.

Source: *Hansard*, Vol 116, No 105, written answers, cols 23-6.

LAUNCH AID FOR AIRBUS A330/340

On 14 May the then Secretary of State for Trade and Industry, Mr Paul Channon, announced that the Government had agreed to provide up to £450 million of launch aid to enable British Aerospace to participate in the development of the European consortium Airbus Industrie's A330 and A340 jetliners. This sum will cover British Aerospace's share of the development costs until about 1990, according to the company's chairman, Sir Austin Pearce. Mr Channon, while noting that the exact details were commercially confidential, said that 'this launch aid will be fully repayable on terms designed to yield an acceptable return in real terms on the Government's investment'.

The A340 will be a four-engined aircraft to be produced in both 200 series form, with 262 seats and a range of 7,700 nautical miles, and as the 300 series, with 294 seats and a range of 7,100 nautical miles. It is designed to compete on longer routes where passenger numbers are too small to make the use of 'jumbos' economic. The A330 is a two-engined aircraft with a range of 5,200 nautical miles, aimed at journeys which are too short for the largest jetliners to travel profitably. Although the A340 is not due to enter service until 1992 and the A330 until 1993, nine airlines have already placed orders or options for 87 A340s and 41 A330s, together worth an estimated £8,000 million.

British Aerospace will build the wings for these aircraft, as it has for previous Airbus projects. The work, about 25 per cent of the total on the A330 and A340, will be carried out mainly at the company's factories in Bristol, in south-west England. Mr Channon estimated that the project would generate about 10,000 jobs over the next decade in British Aerospace and related companies.

Airbus Industrie is a consortium consisting of Aérospatiale of France and Deutsche Airbus (a subsidiary of Messerschmitt-Bölkow-Blohm of the Federal Republic of Germany), both with a 37·9 per cent interest, and CASA of Spain with 4·2 per cent, as well as British Aerospace with 20 per cent. The British Government's launch aid is conditional on the governments of these other nations also providing assistance to the project. On 19 May the French Government announced FFr 6,000 million (£590 million) of assistance both to Aérospatiale and to the French company participating in the development of the engines for the A330/340, and on 3 June the Government of the Federal Republic of Germany committed DM 3,000 million (£827 million) over nine years to the project. Airbus Industrie formally launched the A330/A340 programme on 5 June.

Mr Channon's announcement follows the £250 million launch aid granted to the Airbus A320 project. The aircraft flew for the first time in February

and 442 orders and options have already been placed for it, although it is not due to enter service until next year.

Source: *Hansard*, Vol 116, No 108, cols 417-24.

TRANSPUTER DEVELOPMENT PROGRAMME

The Department of Trade and Industry (DTI) and the Science and Engineering Research Council (SERC) are to provide £3·5 million over four years to promote applications of the transputer, a device that combines all the functions of a computer on a single silicon chip. The aims of this programme are to increase awareness of the potential of the transputer and its associated technology, to encourage the development of software for the parallel computing for which the transputer was designed, to foster research projects using these chips and to speed up the rate of adoption by industry of transputer-based technology. SERC's Rutherford Appleton laboratory will co-ordinate the initiative by organising a loan scheme for transputer-linked hardware, software and expertise and by setting up four support centres at academic sites to provide equipment and training in this and associated technologies.

Transputers were developed by INMOS Ltd, the controlling interest in which was purchased by THORN EMI plc from the Government's National Enterprise Board in 1984 (see p 320, 1984). By using up to 1,000 of these chips (each of which has its own microprocessor, memory and external connections) in parallel a computer can be built that is able to work on different aspects of a problem at the same time, something conventional computers cannot do. As a result transputers can provide more computing power at a significantly lower cost than non-parallel computers. Transputer-based machines also have the potential to solve problems that are beyond the capabilities of their conventional equivalents such as the processing of complex visual information, the recognition of everyday speech and aspects of artificial intelligence.

The first transputer, the T414, has been on the market for nearly two years and has already been incorporated in a number of commercially available devices, ranging from complete computers to plug-in boards that can expand the power of an ordinary personal computer several times. To date most such devices, as well as transputers themselves, have been sold to researchers developing new systems. For example, SERC's Daresbury laboratory has recently installed a Floating Point Systems T20 computer (which uses transputers) and THORN EMI and Southampton University are each leading projects on parallel computing using these chips as part of the European Community's ESPRIT programme (see pp 117-18, 1984). The SERC/DTI initiative plans to transfer this new technology from the laboratory to the office and the factory floor in a programme involving both industry and higher education institutions.

Source: Science and Engineering Research Council press notice, 12.5.87.

CELLULAR RADIO

An agreement to endorse a narrowband standard for a pan-European digital cellular radio network was reached on 19 May at a meeting attended by the then Minister for Industry and Information Technology, Mr Geoffrey Pattie, with his counterparts from France, the Federal Republic of Germany and Italy. The four countries have agreed to work towards a commercial service on the new network by 1991, which would allow customers to use their radio telephones in any of the countries.

Government approval for a £1 million project to establish a prototype narrowband digital cellular radio system in Britain had been announced by Mr Pattie on 11 May. The project is the British contribution to the development of the pan-European network. It will involve British Telecom, Racal, GEC and Plessey, and will conform to the standard set recently by the European Conference of Posts and Telecommunications; the results should be available by the end of 1987. Mr Pattie also announced that the two operators of cellular radio in Britain, Cellnet and Racal Vodafone, had been allocated frequencies in the European cellular radio band for testing prototype pan-European cellular systems. The two competing national cellular radio telephone systems began in 1985 (see p 54, 1985) and have developed rapidly, now covering wide areas of Britain. Mr Pattie said that the growth in cellular radio had been 'one of the outstanding successes in UK communications' in the 1980s.

Sources: British Telecom press notice, 19.5.87; Department of Trade and Industry press notice, 11.5.87.

ACID RAIN

New measures designed to contribute to a reduction in air pollution were endorsed by the Government in May. The Central Electricity Generating Board (CEGB) is to begin a £170 million programme of installing low nitrogen oxide burners at its 12 largest power stations, leading to a reduction in nitrogen oxide emissions by the Board's stations of nearly 30 per cent on 1980 levels by the end of the century. Low nitrogen oxide burner technology is also to be a requirement for all future fossil-fuel fired power stations, and the Government is engaged in discussions with the Inspectorate of Pollution to determine appropriate standards.

Announcing the measures in the House of Commons on 8 May (*Hansard*, Vol 115, No 104, written answers, cols 561-2), Mr William Waldegrave, Minister of State at the Department of the Environment, said that they were a worthy contribution to the European Year of the Environment (which began in March 1987) and, along with measures to reduce sulphur dioxide emissions (see p 334, 1986), showed again the Government's determination to tackle the problem of air pollution.

Negotiations on an international agreement to control nitrogen oxide emissions began earlier in 1987 within the framework of the United Nations Economic Commission for Europe Convention on Long Range Transboundary Air Pollution.

Nitrogen oxides are emitted when fossil fuels are burned in car engines, power stations, industry and for heating. These emissions react with hydrocarbons under the action of sunlight to produce photochemical oxidants, in particular ozone, which on the continent of Europe is implicated in damage to forests. They also contribute to the acidity of rainwater and in some circumstances cause damage comparable to that resulting from sulphur dioxide emissions.

The CEGB programme, to be carried out over ten years, will involve the replacement, in the 12 power stations concerned, of nearly 2,000 burners as well as the alteration of draught systems and, in some cases, of furnace walls.

Source: Department of the Environment press notice, 8.5.87.

Venice Economic Summit: Statements on AIDS and Drug Abuse

The thirteenth annual economic summit of seven Western industrialised countries took place in Venice on 8 to 10 June. Statements on the problems posed by the spread of AIDS and by drug abuse were issued by the heads of State or Government.

The summit was attended by the heads of State or Government of Britain, Canada, France, the Federal Republic of Germany, Italy, Japan and the United States, together with representatives of the European Community.

Economic and political statements issued at the summit are given on pp 202 and 198.

The full texts of the two statements on social problems are given below. (For British measures on AIDS see pp 26, 397-9, 1986, 109-10 and 146-7; for measures on drugs see pp 336-7, 1986.)

Acquired Immune Deficiency Syndrome – AIDS

On the basis of the concern already shown in the past for health problems (London chairman's oral statement on cancer and Bonn chairman's oral statement on drugs), the heads of State or Government and the representatives of the European Community affirm that AIDS is one of the biggest potential health problems in the world.

National efforts need to be intensified and made more effective by international co-operation and concerted campaigns to prevent AIDS from spreading further, and will have to ensure that the measures taken are in accordance with the principles of human rights.

In this connection, they agree that:

– International co-operation will not be improved by duplication of effort. Priority will have to be given to strengthening existing organisations by giving them full political support and by providing them with the necessary financial, personnel and administrative resources. The World Health Organisation (WHO) is the best forum for drawing together international efforts on a worldwide level to combat AIDS, and all countries should be encouraged fully to co-operate with the WHO and support its special programme of AIDS-related activities;

– In the absence of a vaccine or cure, the best hope for the combat and prevention of AIDS rests on a strategy based on educating the public about the seriousness of the AIDS epidemic, the ways the AIDS virus is transmitted, and the practical steps each person can take to avoid acquiring or spreading it. Appropriate opportunities should be used for exchanging information about national education campaigns and domestic policies. The heads of State or Government welcome the proposal by the United Kingdom Government to co-sponsor with the WHO an international conference at ministerial level in public education about AIDS;

– Further co-operation should be promoted for basic and clinical studies on prevention, treatment and exchange of information. The heads of State or Government welcome and support joint action by researchers in the seven countries (as in the case of the joint programme of French and American researchers which is being enlarged, and similar programmes) and all over the world for the cure of the disease, clinical testing on components of the virus and the development of a successful vaccine. The heads of State or Government welcome the proposal by the President of the French Republic aimed at the creation of an international committee on the ethical issues raised by AIDS.

Drugs

The heads of State or Government have examined the drug abuse problem, which causes a tragic loss of human life and now affects people all over the world, especially the young and their families.

They emphasise the importance of undertaking a strategy in support of national, regional and multilateral campaigns in order to overcome this problem. They intend to continue their fight against illegal production and distribution of drugs and to create all necessary conditions for more effective international co-operation.

They will also work for the eradication of illegal cultivation of natural drugs and for its replacement with other types of production which will further the aims of social and economic development.

The leaders welcome the agreements already reached on bilateral and multilateral bases, and look forward with confidence to a successful international Conference on Drug Abuse and Illicit Trafficking, which the United Nations are convening next week in Vienna.

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